



Daily Report

Latin America

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FBIS-LAT-96-023
Friday
2 February 1996

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Cuba

Cuban Official on Departure of Guantanamo Immigrants

PA0102225396 Havana PRENSA LATINA in Spanish
2117 GMT 1 Feb 96

[FBIS Translated Text] Havana, 1 Feb (PL) — An official of the local Foreign Ministry commented today on the arrival in the United States of the last 124 Cuban immigrants who were confined at Guantanamo military base, which closes a chapter in the migratory agreements between Washington and Havana.

In statements to PRENSA LATINA, Rafael Dausa, deputy director of the U.S. and Canada Directorate in the Foreign Ministry, explained that the arrival of the last group of Cubans in Florida yesterday — the date stipulated in accordance with a bilateral agreement — shows that both sides are interested in keeping the slated steps and schedules.

The transfer of those immigrants is part of the migratory agreements signed on 9 September 1994, because of the so-called "rafters crisis" (the previous August), a conflict stemming from the policy of encouraging illegal emigration from Cuba, which has been practiced by several U.S. Administrations.

On 2 May 1995, both countries issued a joint statement by virtue of which all Cubans intercepted attempting to enter U.S. territory without documents will be repatriated and their actions will not have legal consequences upon their return to the island.

Dausa observed that a number of other issues in the treaty, which was extended in 1995, have been complied with, and this produces great satisfaction in his government, which is willing to honor and back each point in the signed treaty.

Cuban authorities recently accepted reducing the costs of the requirements for the people who receive a permanent visa to live in the United States and do not have the means to finance those expenses.

This decision was communicated to U.S. Democratic Representative William Richardson, who traveled to Havana last month. It will be extended to "up to 1,000 emigrants" a year, subject to a unilateral "case by case" review on the Cuban part. [sentence as received]

Cuban Ties Profitable for Canadian Firms

PA0102155296 Havana PRENSA LATINA in Spanish
0550 GMT 29 Jan 96

[Article by Leonel Nodal: "Canada-Cuba: A Model To Cut Out and Imitate"]

[FBIS Translated Text] Havana — While the United States is maintaining a policy against any dealings with Cuba, its Canadian neighbors are undertaking juicy businesses without the hindrance of their close and powerful competitor.

The official attitudes of Washington and Ottawa toward Cuba have been diametrically different since the early 1960's, when the U.S. Administration imposed its still active commercial and financial blockade, whereas Canada adopted an attitude of respect and nonintervention in Cuba's affairs.

Each week, an average of 4,000 tourists from Quebec and Toronto or any other province of the cold northern country arrive aboard daily flights to the island's major tourist spots. One can see them strolling in Varadero's fine sand, Trinidad's cobblestone streets, and the green fields of Vinales Valley.

In Havana, in eastern Moa, or Camaguey one can see tourists passing by, as well as the cars of Canadian companies and well-known businessmen, such as the Sherritt Company and its top executive Ian Delaney, whom president Fidel Castro praised recently for his experience, talent, and courage.

Sherritt became well-known in international economic circles early this year when it announced that in 1995 it had become the producer of 35 percent of the nation's oil, totaling 1.450 million tons.

The company, with main offices in Toronto, runs two oil blocks in the Cardenas area, in eastern Matanzas Province, through subsidiary Canada Northwest Energy.

It attained another major success in eastern Moa region, when it brought up the yield of the Pedro Soto Alba factory from 12,000 tons to 22,000 tons of nickel and cobalt, as its Vice President Patrice Merrin Best announced in Havana.

Perhaps some competitors may look at Delaney's successes with envy. He began to make businesses in Cuba just three years ago. In December 1994, he signed a 50 percent joint venture agreement with the island involving Moa's nickel production and the refinery his company had in Fort Saskatchewan, Canada.

His decision closed him off the U.S. market, where he directed 50 percent of its exports, and what is more, he was included in a "black list" of the U.S. Treasury

Department because of his businesses with Cuba. As Patrice Merrin explained, the Sherritt Group now comprises two companies: Sherritt Incorporated and Sherritt International. The latter, designed to increase operations in Cuba, is planning to invest \$40 million in 1996 in communications, finances, transportation, real estate, agriculture, and sugar production.

Sherritt International is, in fact, the largest foreign company established in Cuba, with assets close to \$600 million, including \$240 million in cash. Its social stock amounts to \$500 million, and its shares are sold in the Toronto Stock Market under the "SEE" symbol. It was precisely during the ceremony to unveil Sherritt International that President Fidel Castro praised Delaney's talent and the climate of trust that facilitated the creation of this company where seriousness and efficiency set the tone.

The savvy Canadian businessman is perhaps the most outstanding, but not the only one or the last.

In addition, his business ability and the challenge posed by the U.S. pressures did not just earn him the Cuban praises but also, in a gesture comparable to political independence, the Ottawa government rejected any meddling from Washington in the businesses of Canadian companies, including the subsidiaries of U.S. companies.

Foreign Minister Andre Ouelle stressed that his government's decision forbids Canadian companies and U.S. subsidiaries set up in Canada to abide by the U.S. "extraterritorial laws."

"We have told the U.S. Congress and administration over and over that Canada will not tolerate any interference in the sovereignty of Canadian laws," the Foreign Ministry statement noted.

In addition, Justice Minister Allan Rock amended an order issued in 1992 under the Law on Foreign Extraterritorial Measures to prevent any attempt by its neighboring country from restricting trade between Canada and Cuba.

What is more, it forces U.S. subsidiaries located in Canada to do business deals with Canadian companies that trade with Cuba, something that Washington has tried to ban or hinder.

The provisions adopted by Ottawa concurred with the visit to the island by Huguette Labelle, president of the Canadian International Development Agency, who reaffirmed her willingness to expand her agency's assistance to the Cuban Government in fields as varied as education, public health, and financial reform, the Caribbean island nation is currently implementing.

Labelle said that her agency handles a \$15 million program for the next five years but stressed that the most important thing is to try to find the means to obtain a great deal with limited resources.

When asked about the significance that the Ottawa government attitude has for Cuba, Foreign Minister Roberto Robaina said that "now in front of the international community and in front of the United States, and in front of whoever wants to exert pressure, Canada has outlined a very clear stance of independence in its foreign policy."

We believe this is the path that we wish other countries of the world would follow, he stressed, and then recalled the voting at the United Nations when they deal with a topic related to Cuba, such as the blockade, where the island has been victorious on three occasions.

We need that together with their vote they dare to invest, dare to trade, and Canada is among the daring ones, Robaina noted.

The daring of Canadians tour operators is such that they are planning to send to Cuba over 200,000 tourists this year, especially during the coldest months, which will require a pace of 54 weekly flights.

Wilton Properties Ltd, has signed an agreement to develop 11 hotels in Cuba. From Havana to the Isle of Youth, as well as in Paraiso Beach, in Key Largo, where it plans to build a truly five-star hotel with golf course, horse riding areas, tennis courts, in addition to health centers. York Medical, another private Toronto company, with the backing of the Saskatchewan Government, has just started a business with an extraordinary potential, namely, the acquisition of five patents of Cuban medicines which it will submit to all the requirements of the U.S. Food and Drug Administration.

This will be the first serious attempt to market Cuban products in a Western industrialized country, a challenge for Cuban scientists who are bent on turning their discoveries into streams of foreign exchange, as well as for Canadian businessmen who are creating a model worth imitating.

Cuban Official Signs Trade Agreement With PRC
PA0102184796 Havana Tele Rebelde and Cubavision Networks in Spanish 0100 GMT 1 Feb 96

[From the "NTV" newscast]

[FBIS Translated Text] In Beijing today, PRC and Cuba signed an agreement that will govern trade between the two countries in 1996 and guarantees the continuity and development thereof.

The document, signed by Cuban and PRC foreign trade ministers, Ricardo Cabrisas and Wu Yi, respectively,

essentially modifies the traditional exchange of clearings in favor of freely convertible currency, with the peculiarity that payment will take place between corporations and through a balanced trade.

Cabrisas said that trade will increase and be diversified through this new method of payment.

Raul Castro Addresses Cuba's Central Army

PA0202015196 Havana Tele Rebelde Network
in Spanish 0352 GMT 31 Jan 96

[Speech by Revolutionary Armed Forces Minister General Raul Castro Ruz opening Central Army exercises in Serafin Sanchez Park in Sancti Spiritus, date not given; from the "This Very Day" newscast — recorded]

[FBIS Translated Text] It is becoming a tradition to open the Central Army's defense preparedness exercises on Jose Marti's birthday. It is the proper way to honor someone who quickly understood that, after conquering the fatherland's liberty, the best guarantee to ensure independence and peace, especially in the case of small countries, is knowing how to defend oneself from one's enemies. Today, when the imperialists step up the economic blockade and the ideological warfare against our country, without ruling out other forms of aggression, we must remember these words spoken by Marti when he was preparing for what he called the necessary war: For me there is no defeat; there is prudence, sacrifice, and martyrdom; never defeat. [applause]

That conviction, 100 years later, under the leadership of Fidel Castro, continues to be the nucleus of our defensive strategy, a guide to our current struggles, and the basis for our confidence in victory. We are winning thanks for our people's 100-year-old tradition of unyielding spirit. It is the same spirit that made Major General Serafin Sanchez exclaim when mortally wounded: I am dying, but that's nothing; continue the march! [applause]

Despite the determined purpose of the imperialists to stifle and destroy us, the stubborn resistance of recent years has begun to bring about specific results. It is progress that in many cases has not had an immediate effect on people's daily lives. But it creates the necessary foundation to improve their lives in the future and reaffirms our confidence that we are marching along the right path. We know that we still have many problems. Some of these problems have arisen from the instability caused by shortages during the special period. Other problems have been carried over from previous years. However, even during the most acute period of the crisis, the country did not experience panic or chaos. Despite the terrible blow that we received,

we maintained the necessary order to halt and reverse the deterioration of the social and labor discipline and efficiency needed to make progress.

We have achieved a partial victory during these years, but not a less significant victory. We feel great pride in knowing that the Revolutionary Armed Forces [FAR] are at the same level as our heroic and unselfish people, not only for fulfilling the miracle — as the commander in chief recently described it — of preserving the country's defensive capacity and consolidating the idea of an all out people's war, but also for its contribution to the country's economic effort.

In 1996, the three armies carried out very important maneuvers and exercises. Not as extensive as those we used to carry out, but, without a doubt, with more original ideas which are better adjusted to our realities.

War equipment in the hundreds has been retrieved after five years, taken out of mothballs according to schedule, and is ready for combat, demonstrating the efficiency of the colossal task of preserving the Army's equipment and technology.

In 1995, the Central Army reached the best results of the past three years. It continued training its personnel. More than a million militiamen and members of the production and defense brigades from the region under the army's jurisdiction together with the regular troops and reserves received the necessary training and skills.

The Western and Eastern Armies have demonstrated similar achievements. Therefore, it will be very difficult to determine the award winner among our three main commands that participated in the emulation competition, which takes place every three years.

The Youth Labor Army [EJT] — although it does not participate in this competition due to its specific tasks — has shown it is not second best with regard to efforts or results. The EJT has made great contributions to the production of the country's exportable goods; moreover, it has increased its participation in the production of food for the population. All these achievements have been possible thanks to the participation of the party, government branches, organizations and institutions, and the population in the tasks of defense.

Sancti Spiritus is emerging slowly but firmly. This constitutes an example. We share the decision of the people of Sancti Spiritus to make this the best year in the special period. We will do this bearing in mind the people's present needs, rather than figures obtained in the previous decade.

The province has achieved great results in the tobacco, fisheries, and honey production. It was one of the best in

the country in the production of tubers and vegetables. It achieved an increase of 42 percent. There are already positive results in the rice and sugar industry, which as you all know is a decisive battle in the country's economy, and we must make all necessary efforts.

In fact, Sancti Spiritus was the leading province in defense activities among the Army's Central competition. Additionally, it ranked first place in the country for the work carried out by the National Trade Union of Revolutionary Armed Forces Civilian Workers. [applause]

This is the result of the assertive efforts made by the party in the province, headed by First Secretary Comrade Pedro Saez. [applause]

He is a very popular man, Pedro Saez. I was saying that this is the result of the skillful leadership of the Communist Party of Cuba (PCC) in the province, led by Pedro Saez, first secretary of the PCC in Sancti Spiritus, and particularly, of the work done by the leaders at the grassroots level. These leaders have succeeded in seeking support from the masses to go forward with their mission. [Applause] These accomplishments, along with the satisfactory results obtained during the recent Politburo work visit, in which the sound political and moral state prevailing among the population was once again stressed. This mood is proof that Sancti Spiritus residents are striving to be chosen to host the central ceremony to commemorate 26 July. [Applause]

I have no doubt that, if they continue on this path, they will enter a friendly competition with other distinguished provinces, and I urge them to do so. A Camilist member already put a band around my arm, and I almost felt as though it were 26 July. You will not surrender before time, and neither will Matanzas nor Pinar del Rio, whose first secretary was also invited to come here, or Ciego de Avila, Las Villas, or Cienfuegos. We are beginning a year full of significant ceremonies that strengthen our commitment to a past of glory. On 2 December, it will be four decades since the landing of the Granma and the birth of the rebel army. [Applause]

When I listened to those youths singing "Lupita de Almeida," memories of those 40 years came to my mind, but I feel the same way I did when we disembarked from the Granma. It is true that we cannot walk as much as we used to back then, but step by step, what matters is our determination and fighting spirit [words indistinct]. [Applause] [Words indistinct]

Only a few days ago, we commemorated the 100th anniversary of the most daring military feat of the 19th century: The [word indistinct] Mambi offensive from east to west led by the two most prominent military leaders at the time: Maximo Gomez and Antonio Maceo.

[Applause] It was 1896 — perhaps the most difficult year of the war — and it was characterized by great victories and heroic deaths. That year, nine Mambi generals, including the young Juan Bruno Zana, died in combat. The glorious veterans of three wars, Major General Jose Maceo, died on 5 July; Maj. Gen. Serafin Sanchez died on 18 November; and Antonio Maceo — the first of all generals, the bronze titan — along with his loyal subordinate, Captain Panchito Gomez Toro, also died. Gen. Antonio Maceo is a symbol of this homage to our heroes, because no one integrates the qualities of the revolutionary and the unyielding spirit of Cuban patriots of all ages better than he does. He exemplifies the firmness of our principles and the confidence in victory of those who have made up, in each stage of the revolution, our only and invincible army of the entire Cuban people.

Our current victories are the legitimate consequence of the unconquerable spirit of the Baragua uprising. This unredeemed and patriotic spirit constitutes the main guarantee that we will always continue to shout in this unconquerable land: Long live free Cuba! [Crowd shouts: "Viva"; applause]

Cuba: Sancti Spiritus Sugar Mill Steps Up Grinding Level

PA0102131796 Havana Radio Rebelde Network
in Spanish 1255 GMT 29 Jan 96

[Report by Diosdado Maso; from the "Doing Radio" newscast]

[FBIS Translated Excerpt] The (Feneta) Sugar Mill in Sancti Spiritus Province has started the harvest season as champions do. This harvest is decisive and so important to all Cubans. Last year (Feneta) Sugar Mill grinded at 68 percent of capacity. This is why I am so surprised and happy — and all sugar producers should also be — because since the start of this harvest, (Feneta) Sugar Mill has been grinding at over 100 percent capacity. The industrial yield of this mill was 7.78 percent last year and it is nearly 10 percent this year, nearly 2 percent over the estimated 8.8 percent. [passage omitted]

Cuban Official on Turquino Manati Plan Implementation

PA0102155596 Havana Radio Rebelde Network
in Spanish 1800 GMT 29 Jan 96

[From the "National Radio News" newscast]

[FBIS Translated Text] The National Commission of the Turquino Manati Plan has referred to an evident revival in the Escambray Mountain Range, where results were recently assessed. Here is Diosdado Maso with a report:

[Maso] Alfredo Jordon, agriculture minister and president of the National Commission of the Turquino Manati Plan, said during the review of the plan's implementation in the Escambray Mountain Range in central Cuba that even though there are signs of a revival, it will be necessary to continue working to improve the condition of the roads and the quality of the water consumed in the mountain region, and particularly, to increase coffee production.

[Begin Jordon recording] I believe that we should be able to make a reality what the Armed Forces have been doing by implementing the Turquino Plan in the Escambray Mountain Range and turn it into a paragon, [words indistinct]. By no means, does this mean that we cannot do this in the rest of the country; we can. I believe the Escambray region meets all the conditions to truly become a laboratory of what we might be able to gradually achieve in the other mountain areas nationwide. As for production, we could not be more pleased or satisfied, because actually, the productive sector [words indistinct]. [end recording]

[Maso] Thus, the evaluation of the Turquino Manati Plan concluded today in the Escambray Mountain Range in central Cuba.

Haiti

Haiti's Preval Comments on IMF Negotiations, Budget

PA0102220296 Port-au-Prince Radio Metropole in French 1700 GMT 31 Jan 96

[Report by Kesner Pharel entitled "The Economic Page"; from "The Midday Newscast"]

[FBIS Translated Excerpt] Contrary to President Aristide, who generally does not like to discuss publicly the economic choices of the country, especially about the agreements with the IMF, President-Elect of the Republic Rene Preval seems to want to adopt a quite different style by openly putting the alternatives to the Haitian state after 7 February.

In fact, in an exclusive interview given to Mr. Yves-Marie Channel, one of the representatives of the Inter-Press Service (IPS) international agency, the future president of the republic stated that after 7 February he will have to choose between the structural adjustments of the IMF or the dismissal of 15,000 Haitian state employees.

Mr. Preval explained the difficult position his future government will have in negotiating with the international financial authorities, given that without external aid he would actually be compelled to dismiss 15,000 public service employees. According to him, the inter-

national financial aid is indispensable at this time for supporting both public expenses, of which a great portion cannot be cut, and the balance of payments.

Mr. Preval took a stand in favor of a budget favoring the decentralization of services and autonomy of territorial communities. He explained that a great portion cannot be cut, while stressing the expenses made for security. [passage omitted]

Haiti's Preval Chooses Structural Adjustment Program

PA0102231396 Port-au-Prince Radio Metropole in Creole 2100 GMT 1 Feb 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] One week before he takes the oath as president, in an interview given to the agency Inter-Press Service, IPS, Rene Preval says that he will have to play the role of (?arbiter), and that he will struggle so there can be security and dialogue. Rene Preval's political program is based on production. On the economic plane, Mr. Preval has chosen the structural adjustment program, that is, to increase state revenues instead of dismissing 15,000 employees.

[Begin Preval recording] Our expenses cannot be cut, because if you are decreasing expenses, the salaries are at such a low level that you should dismiss 13,000 people, 14,000 people, or 15,000 people, which is not feasible and which would paralyze the state apparatus anyway. So revenues must be increased. [end recording]

Concerning the closing of some ministries, the president-elect does not confirm the news. However, he says there is a lack of resources. Sources close to the new rulers have told IPS that the number of ministries will go from 17 to 10. Regarding the question of current government employees who committed dishonest actions or embezzled state's money, Mr. Rene Preval says he will not make accusations without evidence. He adds that he has heard such rumors, but that he does not know whether they are true. If his team manages to find evidence of those accusations, he says he will implement the law against the culprits.

U.S. Official Notes Arrival of Haitian FRAPH Documents

PA0202014996 Port-au-Prince Signal FM Radio in French 1130 GMT 31 Jan 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] A portion of the Revolutionary Front for the Promotion and Progress of Haiti (FRAPH) documents confiscated by the U.S. State Department

following the 1994 seizure by GI's has arrived in Haiti. U.S. Embassy spokesman Stanley Schrager announced on Tuesday [30 January] the arrival of a batch of FRAPH documents. According to Schrager, the FRAPH documents are now kept at the U.S. Embassy in Port-au-Prince. The documents returned to Port-au-Prince do not contain names of U.S. citizens, the spokesman for the U.S. Embassy explained.

Haitian Government Wants All FRAPH Documents

PA0202025296 Port-au-Prince Radio Metropole in French 1700 GMT 31 Jan 96

[From "The Middy Newscast"]

[FBIS Translated Excerpt] Some of the documents of the Revolutionary Front for the Promotion and Progress of Haiti [FRAPH] — documents confiscated by the GI's at the time of their landing in 1994 — are in Haiti. U.S. Embassy Spokesman Stanley Schrager confirmed that on 30 January. The diplomat labeled the return of those documents as a sign of good faith by the U.S. Government and a step forward within the scope of the resolution of this matter between the Haitian Government and the U.S. Government, while acknowledging there is still a lot to do in cooperation with the Haitian Government. [passage omitted]

But in a communique published last night, the Haitian Government refused to accept a portion of those documents. In this communique the Haitian Government announced that, following their steps to recover the entirety of the documents confiscated on the FRAPH premises and at the headquarters of the former Haitian Army, it was informed by U.S. Ambassador William Swing of the arrival of a portion of those documents. Adhering to the same line defined at the beginning, the government appreciates this first effort but will wait for all the documents to be available before taking possession of them. These are the terms used in the governmental communique about the return of the FRAPH's documents.

Haiti's Aristide Refuses To Accept Part of Documents

PA0202031096 Port-au-Prince Signal FM Radio in French 1130 GMT 1 Feb 96

[From "The Waking Up Newscast"]

[FBIS Translated Text] The Haitian presidency has reacted to the return of a part of the Revolutionary Front

for the Promotion and Progress of Haiti [FRAPH] documents by the U.S. State Department. The Haitian head of state on 31 January repeated his refusal to receive a part of the FRAPH documents and of the Haitian Armed Forces seized by the U.S. military in September 1994. Jean-Bertrand Aristide requires that the names of the U.S. citizens involved in FRAPH's activities appear in this document. According to President Aristide, the government will not accept the documents as long as they are not completed by U.S. authorities.

[Begin Aristide recording, in Creole] My spokesman said it after the prime minister and justice minister had said it. Only a part of the documents have been returned. We, the Haitian state and Haitian Government, will accept them when they are complete. For the moment, they are not complete, so we do not accept them. [end recording]

Former Haitian Army Threatened by People's Organizations

PA0102181896 Port-au-Prince Signal FM Radio in French 1130 GMT 31 Jan 96

[From the "Waking Up Newscast"]

[FBIS Translated Excerpt] In Cap-Haitien, the demobilized military denounced the behavior of members of people's organizations. The former military claim to be the target of threats by representatives of people's organizations based in the second city of the country. According to statements by former members of the Haitian Armed Forces, several of them were compelled to take refuge in Port-au-Prince following threats uttered against them by members of people's organizations.

The grassroots organizations in Cap-Haitien have reacted to the ultimatum of the Organization Movement for the Defense of the Demobilized Recruits [MODED] regarding the payment of their late paychecks. Nevertheless, a former military leader in Cap-Haitien, namely John Joseph, explains that the former Army members who were in Cap-Haitien do not have any affinity with the former military grouped within MODED. [passage omitted]

Bank of Mexico Outlines Inflationary, Monetary Policies

PA0102151596 Mexico City XEW Television Network
in Spanish 0400 GMT 1 Feb 96

[From the "24 Hours" newscast]

[FBIS Translated Text] The struggle against inflation will be one of the fundamental factors in the Bank of Mexico's [Banxico] monetary policy this year. Banxico will not yield to pressure to redirect monetary policy in order to stimulate growth and ease the struggle against inflation. In a report on monetary policy for 1996, Banxico explained that the adoption of an expansive monetary policy results not only in higher inflation but also in capital flight, depreciation of the exchange rate, and a negative impact on the rate of growth of the Gross Domestic Product, GDP.

The report indicates that this year Banxico set a 15 billion peso limit to the growth of net domestic credit. According to Banxico, this amount was set by combining the 3-percent expected GDP growth for this year with an annual inflation of 20.5 percent.

Banxico reported that the monetary base for 1996 will increase by 18 billion pesos, namely 27 percent more than in 1995. This implies, according to the Bank of Mexico, an 2.4-percent increase in coins in circulation. During the first quarter of this year, net international assets of Banxico will decline by \$500 million as a result of the amortization of \$1.458 billion, which were paid from the Contingency Fund to the United States and Canada.

Banxico reported that it is expected that in 1996 international assets will have a 3-billion-peso balance, which is equal to \$400 million. Banxico stated it will closely monitor any deviation in the monetary base, the evolution of the exchange rate, and the consistency between the inflation goal and registered inflation.

Banxico concluded the subsidies granted through Fobaproa [Savings Protection Banking Fund] and Famebal [expansion unknown] will have no inflationary or monetary impact.

Mexican Secretariat Reports 1995 Trade Balance Figures

PA2701212096 Mexico City EL FINANCIERO
in Spanish 23 Jan 96 p 20

[By Gerardo Flores]

[FBIS Translated Text] Mexico registered a trade surplus of \$7.397 billion in 1995 — the first since 1989 — as a result of exports totalling \$79.890 billion and \$72.493 billion in imports.

The Finance and Public Credit Secretariat [SHCP] reported that the trade surplus for December 1995 was \$484 million compared to a deficit of \$1.688 billion in December 1994.

An SHCP communique emphasizes that the trade surplus for 1995 is in sharp contrast with the \$18.464 billion trade deficit in 1994.

In December, \$6.792 billion in merchandise was exported, which represents a 27.9 percent increase compared to December 1994. Exports increased 31.2 percent in 1995.

It should be noted that this is the highest growth rate reported since 1980, a year in which export sales were affected by an increase in the international oil prices.

Nonpetroleum exports increased 33.7 percent in 1995. This is the highest annual growth rate in 21 years.

The manufacturing sector exported \$5.705 billion in merchandise in December, which resulted in a 32.9 percent increase compared to December 1994.

Total manufactured goods exports reached \$66.870 billion in 1995 for an annual growth of 32.7 percent, 47.3 percent of this increase stemming from non-maquila [assembly plant sector] export and 19.2 percent from maquila exports.

Manufactured goods exports amounted to 63.7 percent of Mexico's total exports in 1995.

The value of imports for December 1995 totalled \$6.308 billion, which represents an 8.8 percent decrease compared to December 1994. In 1995, the value of this merchandise fell 8.6 percent.

Consumer goods worth \$493 million were imported in December, while capital goods totalling \$784 million were purchased outside abroad.

The two figures represent, respectively, a 47.3 percent and 36.7 decrease compared to December 1994.

In 1995, consumer and capital goods imports decreased 44.1 percent and 34.7 percent, respectively.

In December, intermediate goods imports reached \$5.031 billion, an increase of 4.3 percent compared to December 1994. In the annual balance, intermediate goods imports rose to \$58.476 billion, representing a 3.5 percent annual increase.

The increase in acquisition of intermediate goods was a result of the Mexican economy's dynamic exports, as raw materials imports by companies identified as exporters grew 30.2 percent, while the other companies declined 29.7 percent.

Trade Balance, 1995

	December	percent	Annual	percent
Balance	484		7,397	-
Exports	6,792	27.9	79,890	31.2
Manufactured	5,705	32.9	66,870	32.7
Imports	6,308	-9.9	72,493	-8.6
Intermediate	5,031	4.3	58,476	9.5

Mexico's Zedillo Backs Closer UK Ties Initiative
PA0102011096 Mexico City NOTIMEX in Spanish
2144 GMT 30 Jan 96

[FBIS Translated Text] London, 30 Jan (NOTIMEX) — Mexican President Ernesto Zedillo said here today that he shares the British aspiration to strengthen transatlantic ties between the European Union and member countries in NAFTA.

"This is the moment to encourage a new mechanism for transatlantic cooperation," the Mexican president stated during an address at the Royal Institute of International Affairs. He reflected a position also expressed by the British Government.

As the second major foreign investor in Mexico as well as Canada, and the largest foreign investor in the United States, the United Kingdom is the nation outside the American continent with the most interests in North America, the president stipulated.

"Mexico and the United Kingdom are currently in a privileged position to compete and somehow bring about a healthy and effective understanding between nations on both sides of the Atlantic," the president remarked.

During a 30-minute meeting this Tuesday morning, Malcolm Rifkind, secretary of state for foreign and Commonwealth affairs, stated to President Zedillo that the United Kingdom would be pleased to have Mexico participate in initiatives leading to much wider deregulation of transatlantic trade.

"We are enthused about the agreement between Mexico and the EU," a British Foreign Office spokesman explained, and added his government's desire to have "Mexico more involved in much wider transatlantic trade deregulation."

During his speech, Zedillo even went much further than the British emphasis on commercial relations and spoke about wider cooperation agreements.

With respect to the anticipated agreement between Mexico and the European Union, for example, to which end the EU Council of Ministers is still discussing the guidelines that will steer the negotiations, Zedillo spoke about a "wider political, economic, and cooperation agreement."

The president emphasized that an agreement with the EU is part of Mexico's strategy to diversify its trade, now mostly concentrated with the United States and in which the EU only represents 6.7 percent of total trade exchange.

According to the president, negotiations leading to an agreement with the EU will start sometime during the next six months, during the period when Italy will be presiding over the Council of Ministers, and will also "improve the quality and level of the political dialogue."

Zedillo added that "through shared values to promote democracy, the state of law, and respect for individual rights and liberty, we can join forces to encourage international initiatives that will best serve our interests."

"All aspects of the agreement (with the EU), cooperation, and political and economic negotiations must end simultaneously in one single phase," stressed the Mexican president, who is visiting the United Kingdom as part of an official European tour.

The president's tour included a visit to Spain, and from London he will be traveling to Italy, the Vatican, and Switzerland, where he is scheduled to take part in the Davos Economic Forum, to end his 10-day tour that began on 25 January.

Guatemala

Guatemalan Army Asks URNG for Papal Visit Cease-Fire

PA0102172396 Guatemala City PRENSA LIBRE
in Spanish 31 Jan 96 p 3

[FBIS Translated Text] The Guatemalan Army yesterday asked the Guatemalan National Revolutionary Unity [URNG] for a cease-fire because of Pope John Paul II's upcoming visit, Army spokesman Colonel Guillermo Caal Davila has reported.

The Pope will arrive on 5 February to participate in the closing ceremonies during the commemoration of the fourth centennial of the Black Christ image, worshipped in Villa de Esquipulas, Chiquimula department.

Col. Caal Davila, who is the head of the Information and Press Department of the Army, said the Armed Forces are willing for a definitive cease-fire and that the Pope's visit should be taken advantage of by the two sides to demonstrate that they desire peace. "We believe the Pope's visit is a very important event in our country's history and an opportunity to show that the Guatemalan people desire and long for peace," he said.

Caal, who was interviewed at the Congress yesterday after hearing the Human Rights Ombudsman Office's annual report, said "this is a favorable time for all the people to consider the importance of reaching a pacification agreement in Guatemala. This is a good chance to show to all countries, and the Pope in particular, that both the government and insurgents are willing to attain a pacification agreement," he said.

In addition, Human Rights Ombudsman Jorge Mario Garcia Laguardia yesterday described as positive the Army's decision to ask for a cease-fire and recalled that many sectors have asked for it for a long time.

The official believes it is not necessary to use both fighting and negotiations to attain a pacification agreement because the civilian population are the only ones affected by this practice. "We hope the Pope's visit, with his message of peace and reconciliation, will bring about this result because a cease-fire is important and necessary in Guatemala," he said.

Guatemala's URNG Issues Statement on Peace Talks

PA0202045496 Guatemala City PRENSA LIBRE
in Spanish 1 Feb 96 p 26

[Paid advertisement by the General Command of the Guatemalan National Revolutionary Unity]

[FBIS Translated Text] THE PROGRESS OF THE NEGOTIATIONS, A GUARANTEE FOR DEMOCRATIZATION

Political Statement by the General Command of the URNG [Guatemalan National Revolutionary Unity]

Since the peace negotiations constitute a key issue in the country's national situation and in an attempt to promote the speedy resumption of this process, the General Command of the URNG has taken the liberty to convey the following basic positions to the national and international public:

1. The negotiations have a plan and a conception agreed upon in the Framework Agreement of 10 January 1994. This agreement is valid and has proved to be, in practice, the appropriate instrument to implement the process.

For this reason, a speedy resumption of negotiations should be based strictly on that scheme. No change in this direction would be constructive; on the contrary, it would become an unnecessary obstacle to the process.

2. The Framework Agreement clearly defines the role of the United Nations and the Group of Friendly Nations.

The URNG reiterates, as an essential consideration, that the United Nations should continue to participate in the same manner and in keeping with the functions outlined in the said agreement. It regards its contribution and participation as positive, impartial, and professional, in both its duties of moderation and verification.

The participation of the Group of Friendly Nations has been consistent and constructive. In their role as witnesses and facilitators of the negotiations, the friendly nations have provided a solid support for the effective development of the process.

3. The creation and duties of the Civilian Society Assembly (ASC) — established in this agreement — represented a major breakthrough in the negotiation process. Its existence as a forum to discuss and seek consensus on the substantive issue, as well as the proposals it has made on each one of the major points have been used as a basis and have strengthened and broadened the guidelines for the negotiations.

The ASC is still in force and is, in keeping with the Framework Agreement, the pertinent organization

to endorse and turn any achievement made at the negotiations table into national agreements.

As of this moment, the General Command asks for a meeting with the ASC to brief them and exchange ideas on the current state of the negotiation process and its continuity.

4. Regarding the topics being discussed, socioeconomic aspects and the agrarian situation, the URNG believes the work document, formulated by the United Nations and submitted on 15 December, constitutes the basis to resume discussions.

The document synthesizes eight months of intense discussions and negotiations on this complex issue. It reflects major agreements already reached, points of convergence and disagreement. This is why it should not be underestimated a priori. This document should constitute the springboard to continue the negotiations and to zero in on efforts to reach a peace agreement as soon as possible.

5. Tomorrow, two delegates of the General Command of the URNG will begin a busy tour through several European countries to brief governments, parliaments, political forces, and the media on the Guatemalan negotiations process.

Our objective is to seek support for the process as a whole, and not specifically for the positions of the URNG, and to translate that support into more solid and speedy negotiations.

6. The URNG is ready to resume the process as soon as possible, at the most opportune moment, and it is willing to make every possible contribution to promote its development. Therefore, we would not deem any lag that might take place as our responsibility.

[Signed] General Command of the URNG

[Dated] 31 January 1996

Nicaragua

Nicaragua's CSE President Withdraws Resignation

PA0102131996 Managua BARRICADA in Spanish
31 Jan 96 pp 1, 7

[Report by Mario Sanchez Paz]

[FBIS Translated Text] Dr. Mariano Fiallos continues in office as magistrate and president of the CSE (Supreme

Electoral Council] after having withdrawn his letter of resignation, which he had sent the AN [National Assembly].

In a letter, which he sent yesterday to AN President Cairo Manuel Lopez, Dr. Fiallos asked the National Assembly not to proceed with his resignation as CSE president for a "reasonable length of time."

Dr. Fiallos' resignation had not been acted upon, and after rectifying his initial decision and withdrawing his letter of resignation, Fiallos continues as CSE president and magistrate.

In addition to the fact that the AN plenum was not aware of his resignation, no one should be denied the individual right to rectify a decision — which Dr. Fiallos did at the request of the CSE plenum — without giving up his appeals and petitions to reform the *Electoral Law*, the AN President affirmed.

At the start of a new session of the AN, various deputies asked for Dr. Fiallos' "head" as CSE president, accepting without any discussion his "irrevocable resignation," as stated in his letter, and to proceed to elect a new CSE president, according to Article 74 of the *Constitution*.

Among these deputies are Luis Sanchez Sancho, Juan Francisco Castillo, Duilio Baltodano, and Magdalena Ubeda.

Meanwhile, Sandinist National Liberation Front Deputy Nathan Sevilla opposed that the AN accept Dr. Fiallos resignation because "it would be irresponsible and dangerous for the country, given that the elections are about to begin." Until yesterday, the president of the Republic's office had not sent a proposal for the *Electoral Law* reforms. According to Dr. Fiallos, the articles to be changed were explained in writing to President Violeta Chamorro, who could presumably send today a request for reform.

Argentina

Arab 'Terrorist Leader' Allegedly Travels to Argentina

PY0202022296 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 1525 GMT 1 Feb 96

[FBIS Translated Text] Buenos Aires, 1 Feb (NA) — Federal Police are concerned. They are actively pursuing investigations to find Arab terrorist leader Ayman Zawahiri, who, according to various reports, has allegedly traveled from Switzerland to Argentina.

Zawahiri is a member of the Islamic Jihad faction. Another report indicates that the terrorist might have sought refuge in Ciudad del Este, Republic of Paraguay, on the Brazilian border.

This situation allegedly forced the Argentine security forces to immediately contact their Paraguayan and Brazilian counterparts as well as Interpol, which reported Zawahiri's disappearance from Switzerland.

Zawahiri's alleged trip to Argentina was reported by the Egyptian newspaper AL-DUSTUR, quoting Egyptian security sources. The Egyptian newspaper also noted that Argentine and Swiss authorities are maintaining contacts on this issue.

The Islamic Jihad is the armed branch of the radical Arab group Hizballah, which has claimed responsibility for the Israeli Embassy bombing in Buenos Aires on 17 March 1992, with a death toll of 29 and more than 200 people injured.

Zawahiri, an Egyptian citizen, was allegedly involved in an unsuccessful attempt on Egyptian President Huspi Mubarak's life in Ethiopia in 1995.

Interior Minister Carlos Corach noted that he had been informed of the terrorist's alleged trip to Argentina, but was unable to supply more information on this issue, as he now is in London. Corach traveled to London for a lecture.

Nevertheless, the interior minister also was unable to supply more information on this issue because he has to gather information on the investigations being pursued by the Federal Police on whether or not Zawahiri is in our country.

International reports indicate that the terrorist might have traveled to Argentina or another South American country, using a forged passport.

Argentine Minister To Discuss Security Issues in UK

PY3101205496 Madrid EFE in Spanish
1713 GMT 31 Jan 96

[FBIS Translated Excerpt] London, 31 Jan (EFE) — Argentine Interior Minister Carlos Corach, who now is in London to participate in a seminar on Argentina, will discuss security issues with British authorities today.

During a news conference today, Corach told EFE that he would meet his British counterpart, Michael Howard, to review issues of common interest, especially counterterrorism and security issues.

In this regard, Corach noted that, after the bloody bombings perpetrated a few years ago in Buenos Aires against the Israeli Embassy and the Argentine-Israeli Mutual Association (AMIA) buildings, terrorism has become a major issue in his country.

The Argentine interior minister also indicated that immigration controls, which represents a "sensitive" issue for the British, is another problem of interest to the two countries.

Corach reported that Argentine, Brazilian, and Paraguayan representatives would meet in Buenos Aires on 7 February to discuss security issues, with the goal of controlling the entry and departure of people in border areas.

The minister added that Argentina, Brazil, and Paraguay are working on an agreement to jointly face the problem of border security to prevent "the passage of terrorists from occurring."

Concerning the AMIA bombing of July 1994, in which more than 80 people were killed, Corach noted that significant headway is being made in this case and the Interior Ministry is supporting the Argentine courts.

Corach noted that, after the bombings, the government of Argentine President Carlos Menem solicited all domestic and foreign assistance to resolve the two cases.

Corach will also discuss with Howard the drug trafficking issue. Drug enforcement has been increased in Argentina, he said. The interior minister pointed out: "Drug enforcement must be globalized. Drug enforcement is difficult, without international cooperation." [passage omitted]

UK Supports Argentina's Entry Into OECD

*PY0102001096 Buenos Aires TELAM in Spanish
1506 GMT 31 Jan 96*

[Report by unidentified special correspondent]

[FBIS Translated Text] London, 31 Jan (TELAM) — Foreign Office [preceding two words in English] sources have announced that the United Kingdom would support Argentina's entry into the Organization for Economic Cooperation and Development (OECD), as a result of the economic and political changes that have been taking place over the past few years.

The UK Government's decision was relayed by Malcolm Rifkind, UK secretary of state for foreign and Commonwealth affairs, to Argentine Foreign Minister Guido Di Tella during a meeting they held here last night.

Di Tella told TELAM: "Argentina wants to join the OECD because of its organizational significance and its championing of human rights, market laws, and trade freedom. The world's 25 leading nations have joined it. And, as Mr. Rifkind told me, the United Kingdom is supporting us."

The Argentine foreign minister said President Carlos Menem "would announce Argentina's goal of joining the club of developed nations in late February while briefing the OECD representatives in Paris."

Foreign Office sources, contacted by TELAM, noted that the British support for Argentina's goal of joining the OECD "is the result of a new attitude in our relations and the political and economic changes that have been taking place in Argentina over the past few years."

Di Tella held a three-hour meeting with his British counterpart last night. The meeting was divided into a working meeting and a dinner at the host's private residence.

The Argentine foreign minister described as "very interesting" his meeting with Rifkind, as headway was made "on a prospective fishing agreement, and we reviewed the progress achieved on an oil agreement for the Malvinas Islands area."

The two ministers partially drafted an agenda that Argentine and British representatives will discuss in Buenos Aires between 29 February and 1 March when a Binational Commission, which will be in charge of pursuing the agreement, will be installed.

The foreign minister added: "We drafted a working agenda for the coming months, which will help us to settle the most important issues that are still pending."

By the time dessert was served, the two ministers reviewed another point on the Argentine-British agenda: the possibility of President Menem visiting London sometime this year.

Asked about this issue, Di Tella emphasized: "We agreed to first wrap up the most significant issues on our bilateral agenda and then, after the issuance of an invitation, actually prepare the president's visit."

Foreign Office sources did not rule out the possibility of Menem arriving here on an official visit during the last quarter of this year, "provided that the timetable is fulfilled as scheduled."

UK's Rifkind Meets With Argentine Foreign Minister

*PY0102015196 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 2109 GMT 31 Jan 96*

[FBIS Translated Text] Buenos Aires, 31 Jan (NA) — Foreign Minister Guido Di Tella today expressed his confidence that the arms sale embargo imposed on Argentina by the United Kingdom "will be solved in due time." He confirmed that a joint [Argentine-British] commission would meet in Buenos Aires in late February to make headway on the fishing and oil agreements for the Malvinas Islands area.

"I believe this issue will be solved in due time. I am totally convinced in this regard," indicated Di Tella, adding that this point was reviewed "at a given moment" during his private meeting with his British counterpart, Malcolm Rifkind, on the evening of 30 January.

A few days ago, Defense Minister Oscar Camilion emphasized that the arms embargo would be a handicap that had to be considered if British companies chose to participate in a bid on some radars that would be installed in northern Argentina.

In remarks to a radio station in London this morning, Di Tella described as "very important" the attitude taken by the two governments "of agreeing that we disagree" on the discussion regarding sovereignty of the Malvinas Islands.

Resorting to a pun to explain the stances of the two nations, Di Tella said: "After all this, the main issue, involving sovereignty, remains pending. Nevertheless, this is a separate issue, in which it was very important to agree that we disagree."

The foreign minister pointed out that teams from the two countries would meet in Buenos Aires on 29 February to discuss an oil agreement, while headway on oil agreements [as received] would be made on 1 March.

Discussing the Christmas and New Year cards that he sent to the Malvinas Islands "to introduce" his grandchildren, the foreign minister acknowledged that "some people describe as eccentric" the method chosen by the Foreign Ministry to recondition the relations with the Malvinas Islands inhabitants.

Di Tella also acknowledged that 75 percent of the kelpers "are very distrustful" of Argentina. He explained that this was caused by the "setback" in relations between the islands and the mainland after the Malvinas war of 1982.

Argentine Economy Minister Departs for Switzerland

PY3101184396 Buenos Aires TELAM in Spanish
1526 GMT 31 Jan 96

[FBIS Translated Text] Buenos Aires, 31 Jan (TELAM) — Economy Minister Domingo Cavallo departed for Europe today at 1145. The purpose of his trip is to meet with businessmen from all over the world. He is then going to travel to Davos, Switzerland, to attend the World Economic Forum.

Cavallo left Ezeiza International Airport aboard Swissair flight 144 to Zurich.

The economy minister was accompanied by his private secretary, Tomas Ferrari, Economy Minister Press Director Adrian Gomez, and a considerable number of local businessmen.

The head of the Economy Ministry declined to make any comments to the reporters who were covering his departure.

Argentine Article Views IBM Involvement in Bank Scandal

PY0102234596 Buenos Aires CLARIN in Spanish
26 Jan 96 pp 10, 11

[From the "Business Panorama" column]

[FBIS Translated Excerpt] Everything is so secret, yet the disclosure is now official. It is so big that it provoked an unexpected impact in Buenos Aires.

Here it is: IBM International has replaced the headquarters executive who audited and checked the controversial contract negotiations that this multinational enterprise signed with the Bank of the Nation. The executive in question is Brazilian national Libero J. Robeli, who occupied the strategic post of managing director for the Latin American division of IBM International. He commanded the multinational's Southern Cone operations.

He supervised and was totally responsible for the agreement that the multinational signed with the Bank of

the Nation. He had so much power that he travelled to Buenos Aires to negotiate with the Menem administration when the affair exploded. Under his sole responsibility IBM Argentina affirmed that (without an in-depth study and without an explanation) the contract contained procedural errors, but it did not contain anything illegal.

Robeli met with [Economy Minister] Domingo Cavallo. He ordered an internal inquest within IBM Argentina and began the renegotiation of the contract with the new board of directors, under the firm hand of Roque Maccarone of the Bank of the Nation.

Robeli was a heavyweight at the Armonk, New York, headquarters. For this reason the government interprets the matter just one way: Without doubt Robeli is the first international victim of the Centenario Program.

Coincidentally, the FBI conducted a investigation parallel to that being conducted by the Argentine courts. It is being said that detectives in Washington have key testimony and concrete proof of who benefited from the agreement that is believed to be corrupt.

For this reason Judge Adolfo Bagnasco hurried the investigation after speaking with the FBI. The National General Auditing Office prepared a demolishing legal report against the contract and is now taking aim at the agreements the multinational signed with the DGI [General Directorate of Taxation], the Anses [National Social Security Administration], and the PAMI [Comprehensive Medical Assistance Plan].

Robeli's removal was reported on 22 January. The scandal has provoked an investigation within the Security Exchange Commission on Wall Street. This was made known via an electronic mail flash this morning on the screens of all executives at headquarters and those of the subsidiaries in Argentina and Brazil.

The note contains four paragraphs. (Of course) no paragraph mentions the affair with the Argentine official banking sector.

Answering a question for CLARIN, a spokesperson of the enterprise downplayed the decision. He stressed: "Robeli's departure has nothing to do with the Centenario Program. He is at an age when he can retire."

In federal courts and official offices, however, there is another interpretation. There are many unanswered questions: If he was so close to the contract, then why is he being relieved at this time? Another doubt: His post made him directly responsible — through action or negligence — for the scandalous contract, at least in his role as comptroller or auditor.

The internal note used conventional phrases. Ned Lautenbach, the corporation's vice president stressed: "Un-

tiringly, Robeli contributed to IBM's achievements in Latin America during his nearly 10 years as the head of operations in the region." He added: "He has placed us in a good position for the future in one of the most dynamic regions of the world."

Robeli has been replaced by Elio Catania, an Italian with a clear mission: An overall restructure of Southern Cone subsidiaries, including the enterprise in Argentina. Executives in Buenos Aires were informed of this via electronic mail. If a suspect has confessed, there is no need for proof.

The Menemist sector is expecting a judicial outcome to the affair at the beginning of March. Before this happens, Carlos Menem wants his superpowers approved. [passage omitted]

Argentine Paper Views Colombian Situation, Implications

PY0102172996 Buenos Aires CLARIN in Spanish
31 Jan 96 p 12

[Editorial: "Colombia and the Specter of Drug Trafficking"]

[FBIS Translated Text] The political crisis threatening to end Ernesto Samper's presidency in Colombia is one of the clearest examples of the corrosive and categorical power that the question of drug trafficking can take on when the latter becomes embedded in the highest levels of decisionmaking in of Latin American democracies.

While his lot seems to follow in the footsteps of the unseated former Brazilian and Venezuelan heads of state, Fernando Collor and Carlos Andres Perez, respectively, or those of the fugitive former Mexican President Carlos Salinas, Samper is, however, the first legitimately elected president who is teetering on the edge of a precipice, accused of being directly linked to the drug cartels.

Colombia — the leading producer and exporter of cocaine which is commercialized all over the world — is getting the undivided attention of political circles in the United States, the number one cocaine consumer in the world. Relations between both countries are characterized by an underlying complex array of interests and exchanges which is thought to have had a bearing on the debacle suffered by the Colombian president.

The appointment of a military man, General Barry McCaffrey, as U.S. drug czar — which was recently announced by President Clinton in his State of the Union address — must be seen as part of this whole context. Gen. McCaffrey was the head of the U.S. Southern Command, headquartered in Panama. His nomination is an indication of the importance the U.S. Government

attaches to the issue of drugs in its relations with Latin America.

Several reports published over the last few days record the alarming degree of penetration by drug trafficking cartels and their connection with corruption cases that are exposed in several countries, including Argentina.

Given this state of affairs, what really flabbergasts the man in the street is the phantom-like and semi-clandestine way drug trafficking is characterized, its conspiratorial methods, its double-faced economic and political dealings, and its blurred limits with the institutional actions that are undertaken to counter it.

It is precisely in these "gray areas," which escape public control and citizens' notice, where the most noxious and dangerous effects of drug trafficking are to be found. The Colombian case shows that when the public loses confidence in its elected rulers and the latter's authority is undermined, countries reach a stalemate that may bring about the collapse of the government.

Fortunately, another distinctive trait of our modern times is the settlement of such crises through democratic mechanisms. Nevertheless, democracies cannot remain indifferent to the spread of a corruptive phenomenon that corrodes the very foundations of a democratic system of government.

Colombia does not deserve the stigma attached to it. Nor should the rest of Latin America regard with indifference the potential risk of a possible "replication of the Colombian situation."

Argentina's Cavallo 'May' Leave Post Before 1999

PY0102231596 Buenos Aires NOTICIAS
ARGENTINAS in Spanish 1310 GMT 1 Feb 96

[FBIS Translated Text] Buenos Aires, 1 Feb (NA) — Economy Minister Domingo Cavallo has said he may leave his post before 1999, adding that he has not yet decided if he will run for the presidency in the 1999 elections. Cavallo said the value-added tax (VAT) cut is dependent on the elimination of tax exemptions by Congress.

Cavallo said the Convertibility Plan is "at its best" now "because we have just experienced a trying situation that convinced many people that the Argentine economic transformation is sound, vigorous, and will, therefore, be long-lived."

He indicated that this "is seen in the narrowing of the gap between interest rates in pesos and in dollars, which are at the closest levels since the inception of convertibility."

Cavallo said things were at their worst in March 1995 "because Argentines suddenly distrusted the sustainability of the economic program and, especially, the solvency of the financial system." He admitted that "we were then confronted with a most dangerous situation — everything could have crumbled."

In an interview with EL CRONISTA newspaper, Cavallo admitted that this crisis was worse than the ensuing one in August and September, because "I never thought the economic program could collapse."

The economy minister said: "Some leaders thought the time was ripe for a change in economic policy or in the minister responsible for the economic portfolio." The minister explained that he stayed in office thanks to President Menem, who is "a very sensitive politician who supports or fails to support somebody according to what he feels are the wishes of the people."

The economy minister said he "will head the Economy Ministry for several years." He clarified that he does not seek to do so "just to break records, but to complete the transformation currently under way under the leadership of President Menem."

Cavallo did not rule out the possibility of staying in office as economy minister until 1999 "if President Menem puts up with me and if I consider it advisable for me to stay." Nevertheless, he deemed it may be advisable for him to leave before.

Cavallo added: "Argentina must one day prove the stability of its economic and social system, regardless of individuals. It would be good to prove to the world at a given moment that our stability, growth, and rules will continue under any other economy minister."

Changing the subject, Cavallo emphasized that "I have not asked myself" about becoming a presidential candidate in 1999 "because I have always believed that it is not up to me to be a presidential candidate. I am so busy with current requirements that I believe it is idle to speculate about my personal future."

Cavallo acknowledged "a change in my outward attitude; I do not argue so often over radio or television channels, or in the newspapers." Nevertheless, he explained: "When it comes to issues that are important for the success of the economic policy, I am as staunch and eager as ever."

Cavallo emphasized: "I am as tough as ever when an expenditure is not to be made or when a reform needs to be pursued."

He indicated that even though the January rates and indexes are not yet available, "the ones on assets sales, public utilities, and foreign trade have shown an upward

trend since October." He added: "I am not sure if the final figure will surpass January 1995."

The economy minister, who now is in Switzerland to participate in the Davos Economic Forum, emphasized that the 5-percent economic growth included in the 1996 budget "is a good projection." He did not rule out the possibility of "achieving 8 percent by the end of the year."

Cavallo added: "It is a mistake to believe the convertibility program does not contemplate a fiscal deficit. It does not contemplate financing a deficit through the issuance of money."

Cavallo pointed out: "The increased fiscal deficit for 1995 was prompted by a slump in tax collection, which will increase through a growth in economic activity and improved tax management following tax payment deferrals." He emphasized: "In 1996 we will achieve a balanced cash budget."

Cavallo said the reduction of VAT from 21 to 18 percent is a goal for the government, but emphasized that it would be achieved only "if Congress enables us to eliminate all exemptions, as we have proposed."

Argentine Economists, Businessmen Laud Cavallo

PY0102140696 Buenos Aires NOTICIAS

ARGENTINAS in Spanish 1759 GMT 28 Jan 96

[FBIS Translated Text] Buenos Aires, 28 Jan (NA) — His "capacity for work," the "tenacity" to work on all fronts, and the achievement of having transformed the country's productive structure are the laudatory remarks mentioned most often by economists and businessmen when they evaluated the five years that Domingo Cavallo has headed the Economy Ministry.

Even those who do not agree with the Convertibility Plan or with the strategy of opening up that Cavallo has implemented stated "noblesse oblige" and acknowledged that the minister, for better or for worse, has effected a profound change in Argentina's economy.

Admirers and critics of the minister, together with those who support and oppose the government, accepted the challenge, in a poll carried out by NOTICIAS ARGENTINAS, to define the positive and negative aspects of the person whom President Carlos Menem considers to be the "best economy minister in Argentina's history."

Diego Videla, secretary of the Argentine Industrial Union, stressed that "stability and a fiscal balance that were achieved during the first three and one-half years are the most notable aspects of the tenure" of the economy minister.

He also stressed the importance of the fact that "during the past two years Cavallo had decided to improve the administration of the opening," and he also considers that the minister is responsible for "having produced a profound change in the economy."

Notwithstanding, Videla warned that "we cannot continue with stability just for stability's sake itself," and he remarked that "due to the closed financial system that we have the internal market has not yet responded."

For former Finance Secretary Juan Alemann, Cavallo is a "historic minister because he was able to go from hyperinflation to one of the world's most stable economies, and at the same time he has obtained a record growth of GDP."

He believes the economy minister is "known throughout the world, and his name will be written in books on economic history; he also accumulates multiple successes and this is not by mere chance."

Alemann stated that one of the aspects that could be criticized is that "of not having given sufficient attention to the fiscal deficit," although he did make it clear that this situation "does not blur the success that has been achieved these past few years."

Enrique Crotto, president of the Argentine Rural Society, remarked that Cavallo's task has "many more favorable than unfavorable points; he has changed Argentina's economy, and its stability is to his credit."

Crotto stated that among the points that "must be jotted down in the 'debit column' is the lack of credit and the high interest rates" that complicate the prospects for Argentina's growth.

Economist Ricardo Lopez Murphy, whose name cropped up on several occasions as the person who would replace the minister, highlighted the restructuring process and the quantity of institutional reforms that have been implemented by Cavallo.

Notwithstanding, he questioned the "exuberant optimism that led both the economic leadership and the people to believe that all problems had been resolved or that we had overcome a serious crisis such as Argentina's overnight."

The Radical Civic Union economist highlighted Cavallo's "exceptional professional competence" and his "tenacity," therefore he made it clear that "above and beyond my disagreement, I want to highlight these good points."

Gerardo Martinez, secretary general of the CGT [General Labor Confederation], stated that the process of transformation "has generated social conflicts that have

not been resolved," and he expressed concern about the existence of "a dual Argentina."

"The social question still needs a solution because the macroeconomic indicators can be ideal, but when they are compared with the situation of the people, real and social problems emerge that must be urgently resolved," Martinez emphasized.

Justicialist Economist Eduardo Curia said that Cavallo's management has gone from "better to worse." The essential contribution has been that of securing stability and that of the intention to improve productivity within the economy."

The former economic management secretary during the first part of Menem's mandate stressed that "Cavallo's great drama was that of having linked stability to a framework of relative prices of a very deficient economy characterized by an incorrect exchange rate that limits the possibility of a sustained growth of the economy."

"Regrettably, stability lacks significance due to this fact and also brilliance," Curia said.

Frepaso [Front for a Country in Solidarity] Economist Arnaldo Bocco stated that during these five years "the problems, such as the increase in poverty and exclusion, which existed before the implementation of the plan, have become much more serious."

He admitted that five years ago "he did not even believe that Cavallo and the plan were going to last," and he stressed that the "alliance with national and foreign economic groups helped make the program of reforms last."

Although he warned about the "increase in unemployment that is acquiring a structural aspect which will be difficult to reverse," Bocco acknowledged the "decrease in the inflationary process" that the economy minister has achieved.

Jesus Rodriguez, a national deputy, chief of the "opposition cabinet of the UCR [Radical Civic Union], and an economist, considers that the economic framework by Cavallo is "apt, and it would be foolish to ignore it, to bring down inflation."

Notwithstanding, the legislator demanded that "with the same objectivity the government should acknowledge the impotence of the plan for achieving economic growth and the creation of jobs."

Isaac Guterman, the secretary of the Stock Exchange, considers that the Convertibility Plan "has been very important for the stock market."

He maintains that Cavallo's economic program has allowed Argentine stocks "to install themselves in the

world through enterprises that trade their stocks on the New York and Buenos Aires exchanges."

"As a result of the success of the program Argentina is viewed abroad as an attractive country for investment," Guterman concluded.

Among the businessmen, Juan Loutau Bidaut, president of Transportes Metropolitanos — the enterprise that operates the Roca, San Martin, and Belgrano Sur railroads — believes that Argentina "has recovered the path it was on at the beginning of this century," thanks to Cavallo.

He termed as "very good" the results that have been obtained with the Convertibility Plan, and he stated that "the conditions have been created to allow the economic protagonists, from the lady who does the shopping to the businessman, to use all their imagination when they plan their future guidelines."

Rolando Pietrantueno, president of the Argentine Industrial Council, highlighted what he called "five years of efficient management" by the minister.

Among other achievements he mentioned the "halting of the inflationary scourge, the restructuring of the state, the privatizations, and stability as a means for a sustained growth."

On the "debit" side, the head of the organization that groups small and medium-sized industries questioned the "process of economic concentration, which should be reformulated with a process of accumulation that takes into account the horizontality of the economy."

Argentina's Menem 'Flatly' Rejects 1999 Presidential Bid

PY0102172296 Buenos Aires TELAM in Spanish
1214 GMT 31 Jan 96

[FBIS Translated Text] Buenos Aires, 31 Jan (TELAM) — Having flatly dismissed the possibility of standing for president for the third time in 1999, President Carlos Menem advised those who are campaigning for his reelection to be patient and wait until 2003.

In an interview with EL CRONISTA newspaper published in today's edition, the head of state stated: "It is legally impossible. Therefore, I recommend my fellow party members, friends, and those who, while not being party members, are still engaged in this business (his reelection in 1999), to exercise patience and wait until 2003."

The president announced that "he may make a bid for power" in the 2003 elections "depending on how things go until then and on my health, which, God willing, I hope will continue to be as good as it is now."

Menem insisted: "Nevertheless, that idea (the fact that he may enter the presidential race in 1999) must be totally ruled out." He considered that the proposals put forward for his second reelection "are just wishful thinking because it is legally impossible."

In reply to a question about whether the announcement of candidacies four years prior to the presidential elections could sap his political clout and hamper governability in the future, Menem said: "No, because this is something that basically has to do with the party. It is something normal, logical. There is no doubt whatsoever that the Justicialist Party (PJ) is a truly democratic party. It has implemented an unprecedented internal election system in Argentine political parties."

"Other political groups are now copying our system," he added.

The head of state deemed that it was of utmost importance "to make headway with the modernization of Argentine political structures, which must be not only structural but also conceptual, intellectual. We are still guided in our actions by old political practices."

The chief executive further stated that party structures "are out of step with existing conditions" in Argentina and throughout the world.

Menem said: "If a party like the PJ wants to cooperate with this administration, which is a Justicialist one, in this transformation process it must begin by transforming itself." "Let us hope that the other (parties) will follow suit or at least get involved in this transformation process."

Asked about the new type of politician Argentina needs to rise above the transformation that has been effected, Menem replied: "New types of politicians for new politics."

In addition, the president underscored the need "to enter the field of ethics, in such a way that political parties are not only funded by whatever the state may contribute but also by contributions parties themselves can produce."

He went on to say: "For example, with party experts who can cooperate with companies, as well as with all protagonists of our country's daily life, to obtain funds for the party's coffers."

Menem pointed out that in this way, "political parties will have a sound source of income so as to prevent situations like the ones they have been witnessing over the last few years or allegations of improper contributions to parties."

Argentina: Bauza Role, Buenos Aires Election Viewed

96SM0059A Buenos Aires LA PRENSA in Spanish
3 Jan 96 p 11

[Commentary by Sergio Crivelli: "Embroiled in Politics"]

[FBIS Translated Text] What happened last Thursday with the Patents Law accurately reflects the times that the Menem administration is going through. After listening to the foreign minister and the economy minister, the cabinet chief, Eduardo Bauza, chose to advise the president to veto part of the bill that Congress had passed. Though the result of negotiations, the bill satisfied no one. U.S. laboratories rejected it, and so did national laboratories; the lawmakers complained because the Casa Rosada was sending it back to them, and Guido di Tella was upset over the U.S. trade sanctions.

The leading role that the cabinet chief has played (which this column pointed out weeks ago) is a very low-profile one, though it is no less real on that account. It coincided with the latest truce between Carlos Menem and Domingo Cavallo. The president and the superminister postponed the Peronist administration's underlying battle, and Bauza stepped forward. The institutional reform, which established a "sui generis" prime minister, also consolidated his advance.

This genuine change in the ruling party's structure has had consequences for decisionmaking. Businessmen, who visit Cavallo's office to make their voices heard, have already noticed it. Bauza has attached priority to his relations with Congress and is an untiring consensus-builder. He represents the opposite pole from the economy minister and some of his colleagues (Secretary Liendo, for example), who are by nature quick to sign decrees and are not well thought of in the legislative palace.

What effects has the change had on cabinet "infighting" and the course of the administration? Getting out of the line of fire took some stress off Cavallo. People who deal with him find him in good humor, not at all given to the fits of rage that he used to have back when he was openly at odds with the president and the political wing of the Menem faction. His character betrays him only during private chats (he becomes visibly irritated) when talk turns to Congress.

In short: Cavallo is calmer, and the administration is moving more slowly. It has lost some ability to get things done, and Bauza has to perform balancing acts to get administration initiatives through and he is not always successful. In his defense we should mention

that he honors institutional channels and respects the other branches of government.

The most glaring of Bauza's failures was the rejection of the presidential "superpowers," which the economy minister (though he said nothing in public) must have written down somewhere so that he can remind him at the proper time. The cabinet chief took it upon himself to pass the bills that the Economy Ministry was demanding before the end of the year, and he failed. He got embroiled in mismanaged negotiations in the Chamber of Deputies with his own lawmakers, something that is truly inexplicable.

When the time came to hold people accountable, the president of the chamber, Alberto Pierri, looked to the chairman of the Justicialist Party (PJ) bloc, Jorge Matzkin, who in turn accused some of his colleagues of extortion. The fact is that the negotiations failed, which represents a setback for their supporters, unless this is part of a long-range strategy that is not subject to change arising from potential snags. Such a strategy would be designed for the transition to the post-Menem era, with the cabinet chief as the person executing it.

The number one political issue of the first half of the year is also subject to negotiation: the election of the mayor of Buenos Aires. This is not a minor issue, because what is at stake is the determination of which party will be the opposition over the next few years. Whoever takes office in the city of Buenos Aires, whether the UCR [Radical Civic Union] or Prepasos [Front for a Country in Solidarity], will move into the ring to oppose the PJ. Whichever one loses will be watching the fight of 1999 from ringside.

How is the Menem faction reacting to this conflict? By dividing its forces. There are those who prefer Fernando de la Rúa as an opponent and those who prefer Carlos "Chacho" Alvarez. The former think that the election of the head of government has to be separated from the election of legislators (something that is in Prepasos' favor), while the latter want a single election. They all know that the PJ does not have a chance in the capital, though they are not admitting it in public, and are split on this single point: those who would rather have De la Rúa as an opponent think that the UCR man will never be a truly dangerous adversary for Justicialism, while they fear Alvarez, their thinking being that there is no chip like one off the old block.

Those who would prefer "Chacho," in contrast, regard him as a strictly Buenos Aires phenomenon, with no national projection and, therefore, with no chance to vie successfully for the presidency in three years time. The men in the Casa Rosada are also caught up in such

speculation, though they resort to the Constitution to explain their views.

Argentina: 'Theoretical' Congressional Quorum Viewed

96SM0059B Buenos Aires LA PRENSA in Spanish
3 Jan 96 p 11

[Article by Sergio Crivelli: "Theoretical Quorum"]

[FBIS Translated Text] Last Thursday the chairman of the bloc of Justicialist (PJ) deputies, Jorge Matzkin, had a bitter experience: he found out that the 132 deputies that his group nominally has in the lower house number far fewer than that when the time to constitute a quorum comes around. He did not succeed in having superpowers approved for Carlos Menem, because the absolute majority in the Chamber of Deputies that Peronism won in the most recent election "is merely theoretical."

Why is this so? For at least two reasons. One has to do strictly with what happened on Thursday. It was learned that some PJ deputies left the hall because their governors had not come to an understanding with the Casa Rosada. Some seats were also inexplicably empty: two held by senior administration officials who are on leave and have not resigned, and one from Tierra del Fuego that the previous officeholder, who had resigned but has now "repented," and his replacement are disputing.

This is the superficial explanation of last Thursday's failure. There is another, deeper, and more permanent cause that is tied to the political nature of the Menem faction.

In electoral terms the Menem faction is not a party; it is a coalition made up of upper and lower strata of society. And in congressional terms it is an alliance whose mainstay is Peronism, but a feudalized Peronism without a strong leadership, the true antithesis of traditional "verticalism" [top-down structure].

Moreover, if the Justicialist Party does not exist (it has been put on ice by the decision of Carlos Menem), then it is unlikely that discipline will reign in its legislative wing.

How is the ruling party compensating for such anarchy among its own troops? By resorting to a spontaneous rightist alliance that the figure of the president has brought together. On Thursday, more than 10 lawmakers from parties of that persuasion tried unsuccessfully to replace the nearly 15 absent Peronists.

Aldo Rico and Alvaro Alsogaray are the most visible allies of the ruling party. Their parties are dying out, and

their seats will return to the PJ when Alsogaray leaves politics and when the former lieutenant colonel's voters finally become convinced that the system has already swallowed up the Monte Caseros rebel.

Among the provincial parties cooperating with the ruling party are the bloc faction, the Tierra del Fuego People's Movement [Mopof] (in the Senate, the Mopof people attend the PJ bloc's meetings), the Neuquen People's Movement, and the Bussi faction.

There are also some "dissident" centrist blocs. The Autonomy Pact (the Liberal Party of Corrientes, for example) often opposes the administration and in the Senate has a representative, Jose Romero Feris, with his own political agenda. The Mendoza Democrats, meanwhile, use the "carrot and stick approach" when the time comes to constitute a quorum.

The situation is less complicated for the PJ in the Senate, but the chairman of the bloc, Augusto Alasino, is also having difficulties with his own ranks. Antonio Cafiero, for example, refused this year to approve Judge Vazquez for the Supreme Court and last year kept constitutional reform on the brink for a while. Every time that the Menem faction needs a two-thirds majority, it has to perform a balancing act in the upper house, although it always eventually achieves its goal because the center-right coalition that the president heads can effectively replace the broken down structure of the ruling party.

Brazil

Brazilian Government Challenges SBPC Report on SIVAM

PY0202021496 Rio de Janeiro O GLOBO
in Portuguese 1 Feb 96 p 5

[FBIS Translated Text] Brasilia — The government on 31 January unleashed a new offensive to convince the Senate to authorize the contracting of the U.S. company Raytheon for implementation of the Amazon Region Surveillance System (SIVAM). The Aeronautics Ministry submitted to the Senate super committee that is looking into the SIVAM project a report challenging an evaluation by the Brazilian Society for Scientific Development (SBPC), which stated that the project that the Brazilian Government negotiated for \$1.4 billion could be implemented for \$930 million, that is, at a price 40 percent lower. According to the Aeronautics Ministry, the SBPC did not include in its calculations the various services and the equipment included in the project. The ministry stated that the SBPC is being used by enterprises whose interest was not benefited by the project.

The government's offensive to obtain the approval of the super committee will also include a possible meeting

between President Fernando Henrique Cardoso and the 59 super committee senators. According to Elcio Alvares (PFL-ES) [Liberal Front Party-Espirito Santo], the government leader in the Senate, the meeting might be held at Alvorada Palace. Super committee president Antonio Carlos Magalhaes (PFL-BA) [Bahia] on 31 January said that the report by rapporteur Ramez Tebet (PMDB-MS) [Brazilian Democratic Movement Party-Mato Grosso do Sul] will be voted on in March. In his report, which will be submitted on the 7th [no month as published], Tebet will recommend that the government call for a new tender for Sivam. Cardoso will also publicly defend Sivam next week.

In the document sent to the super committee, the Aeronautics Ministry criticizes the proposal that calls for a bidding in order to choose the enterprise that will implement the project. "If this proposal is accepted, it will create problems for the government, such as how to ensure overall responsibility for the project, how to ensure compliance with scheduled dates, and how to obtain funds to finance the project. It will in addition create an exception that seeks to benefit the interests of displeased parties," the report states. The document adds: "It is not legitimate to overlook an entire process for the choice of suppliers, which has represented a huge expense for the country, in order to benefit enterprises that have had their interests opposed."

The Aeronautics Ministry assures that Brazilian participation in the project is ensured because Brazilian experts will be responsible for the effective control of the configuration activities and for the integration of the system. "The fact that the supplying enterprise knows the process does not mean that it has access to or knows about the data and information processed by the system or how they will be applied," the document states. According to it, collection, processing, and filing of the information will be handled exclusively by Brazilians.

Brazil's 'Vital Role' in Argentina's Economic Policy Noted

PY2101111896 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 27 Jan 96 p A4

[Commentary by Jose Casado: "Brazil Helps Argentina"; from the "Highlights" column]

[FBIS Translated Text] Argentina's economic weakness is causing its neighboring countries to redouble efforts to back the Carlos Menem administration. Since the last quarter of 1995, the Brazilian administration has increased its deposits of Brazilian reserves at the Argentine National Bank [BNA].

Entrepreneurs and economists have estimated that more than \$1 billion in Brazilian exchange reserves (which

total \$50 billion) have been deposited at the BNA by the Fernando Henrique Cardoso administration.

This is a discreet way of helping the Menem administration, whose officials are hunting for dollars worldwide in an attempt to prevent a drastic reduction in its exchange reserves (\$12 billion) and a change in its exchange policy.

This is a politically delicate operation, which has been conducted through what many have described as the "black box," through which the Central Bank manages exchange reserves. This is precisely the reason why it could become another cause of friction between the administration and Congress.

There are sound reasons why Brazil is giving this type of help to its Mercosur [Common Market of the South] partner. The main reason, which is shared by all both within and outside the administration, is that an exchange earthquake in Argentina would potentially have a much more devastating effect on the Real Plan than that provoked by the Mexican crisis 13 months ago.

The tequila effect caused Brazil to increase even more sharply its domestic interest rates and to revise partially its policy of full economic opening to the world. The Brazilian economy managed, however, to later absorb the impact of the Mexican crisis.

Brazil has helped Argentina in several ways. One way deals with the Brazilian trade deficit with Argentina. Four years ago, Brazil used to have an annual surplus (\$500 million) in its trade with Argentina. This situation has suffered a turnaround because the Cavallo Plan lost momentum and the Menem administration had its elbow room for its fiscal, exchange, and monetary policies reduced.

Now Brazil is experiencing a deficit of more than \$1.5 billion in its bilateral trade with Argentina. The amount of this deficit is vital for Argentina to maintain its policy of stabilizing the Argentine peso.

It was not by accident that Argentine exports to Brazil increased by 61 percent (they totaled \$3.8 billion) from January to September 1995, compared to the same period of 1994.

Similarly, it was not a market-related reason that led the Brazilian federal agricultural policy to give preference to imports of Argentine wheat. Brazil used to produce 6 million metric tonnes of wheat annually. This production has now been limited to 1.5 million metric tonnes annually.

The Cardoso administration is playing an absolutely vital role in the economic policy of the Menem adminis-

tration, not only in terms of guaranteeing that the Argentine trade balance be maintained, but also in terms of reducing shortages in emergency foreign financing for Argentina.

The slowdown observed in some areas of the Brazilian economy during the second half of 1995 provoked a sharp increase in the Argentine needs for foreign capital in 1996.

Yet, the Argentine administration started 1995 with more objective difficulties than expected to obtain foreign funds, especially through operations involving bonds.

Longtime international creditors have decided to reevaluate the risk: The Bank of America, for instance, started to consider the possibility of a devaluation of the peso — among the projected estimates, there was one estimating the devaluation at 44 percent.

In Brazil, several companies have begun 1996 determined to collect more information on Argentina. It is a preventive attitude which reflects their concern about the effects of a possible Argentine exchange earthquake on the Real Plan.

Despite their silence, Brazilian businessmen have conveyed two things: first, that they are afraid of an inflation upsurge due to changes in the exchange system either for domestic or external reasons; and, second, that it is a fact that they really do not have an alternative proposal — that would not endanger the stability of the real — to submit to the administration at this stage.

They are certain, however, that the cost of helping Argentina is bound to increase in the next few months.

Brazil: Columnist Views Armed Forces Role in State

PY0202023696 *Sao Paulo O ESTADO DE SAO PAULO in Portuguese 1 Feb 96 p A4*

[From the "Highlight" column by Antonio Carlos Pereira: "The Duties of the Commander in Chief"]

[FBIS Translated Text] What are the deep reasons why the presidents who succeeded the generals have neglected defense matters, which also include the military problem? A superficial analysis reveals that there are at least three good reasons that do not mutually exclude each other.

— After the series of military governments (or of generals), civilian presidents have purposely reduced the priority of military definitions and military budgets, as a way of subordinating the military by impairing their prestige and by reducing their resources and means.

— Considering the large number of military interventions in politics, civilian presidents have preferred to maintain the military status quo — whatever it might be — on the assumption that the fewer the actions and changes in the sector, the more silent the military will be and the more unnoticed they will pass.

— The country has no visible external security problems, and internal security affairs are dealt with by the police and not by the Armed Forces. The decisions regarding national security and defense can therefore be postponed for an indefinite period.

The last presidents have skillfully mixed those three factors, adopting what could be called the behavior of an ostrich. This animal is known to hide its head in the sand to avoid seeing the perils around it. Our presidents have refused to admit that there is a military problem, in order to avoid having to resolve it.

This is how Brazil emerged from two decades of totalitarian regimes headed by generals and backed by the barracks. Under those regimes, the commanders in chief did not care to implement at least a broad reform in basic military training, seeking to strengthen the cadets' commitment to the values of democracy and freedom, to the detriment of the wrong ideas of authority and order that have for several decades oriented military training.... and military intervention in politics. The mystique of military messianism takes root in young minds, indelibly imbuing the character of the youth and becoming part of the officers' careers and lives. This mystique provides the false solutions for the social and political crises that regularly affect society. This mystique harms civic values, adding nothing to the true military values. It is the origin of coups.

The commanders in chief have not cared for assigning the Armed Forces specific roles in national life. It is true that the Armed Forces' duties are described in the Constitution. Yet it is also true that Constitutional principles are useless if they are not applied to the real situation. The Constitution sets forth that the Armed Forces' duties are the defense of the fatherland and the preservation of constitutional power. The nation, however, does not expect the military to show bravery only in radical, dramatic situations in which it is necessary to defend the fatherland and preserve the institutions through the use of arms. Such defense and preservation should be designed so that the traumatic experience of decisive battles is never reached. The commander in chief should design the guidelines for the gradual, permanent construction of the national security and national defense building. This is an everyday task, in which the military are prepared for contingencies.

This task will be undertaken by the commander in chief who perceives that the first duty of a head of state is to organize the ultimate conditions for survival of the nation and the state. This duty also means to realize that adopting the behavior of an ostrich will produce nothing but unstable peace. If the command is not exercised in its entirety, in an active, personal manner, the Armed Forces will maintain — even as a latent condition — an undesirable independence from the government (which some people prefer to refer to as the political power). This independence will suddenly emerge in the spontaneous design of policies for some sectors, in institutional demands, and in the interventions — even if non-malignant — in the political process. If this occurs, it should not be considered insubordination, because the responsibility lies with the commander in chief.

Brazilian Government To Announce 1996 Social Goals

PY0102205996 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 28 Jan 96 p A4

[Article by Mara Bermaschi]

[FBIS Translated Text] Brasilia — In an effort to launch "the undeclared revolution" that President Fernando Henrique Cardoso claims his administration is conducting in the social area, Planalto Palace is drafting a plan, which should be released in March, outlining the government's social goals. The task of answering the many contentions that the administration is dragging its feet in the social area has been assigned to sociologist Vilmar Farias, who is a friend of Education Minister Paulo Renato Souza. Farias was named a few months ago as a special presidential adviser.

He organized a small team, which is not linked to the Community in Solidarity Program, at the Presidential Civilian Household Office. The Community in Solidarity Program, which is chaired by First Lady Ruth Cardoso, was presented by the Cardoso administration as a new way to coordinate government actions to fight poverty.

At the time the Farias-led team was holding its first meetings in November, Planalto Palace already had a clear diagnosis of the situation: Despite being the administration's standard bearer, the Community in Solidarity Program undertook only limited actions during the first year of the administration in those areas known as "pockets of poverty." These limited actions provoked criticism, and were (erroneously, in the opinion of Planalto Palace) ultimately viewed as the administration's social policy. Mrs. Cardoso is the chairperson of the Community in Solidarity Program.

Among other things, the president wants "nationwide programs" to become more "visible" through the dissemination of goals for 1996. "Nationwide programs" include, for instance, the distribution of snacks at public schools, or services rendered at hospitals affiliated with the Unified Health System (SUS). Cardoso himself said this plan will not be "spectacular" because there is no money.

Despite Cardoso's announcement that 1996 will be "a year devoted to education," the Education and Culture ministries will have only 5.5 billion reais [R] for investments and equipment maintenance this year — practically the same as was earmarked for this purpose in 1995, in accordance with official data of the Planning Ministry.

The situation is a little better in the areas of health and basic sanitation. The amount set aside for these areas in 1996 totals R16 billion, which is R4 billion more than in 1995. The Health Ministry still dreams of raising nearly R4 billion through the Temporary Contribution on Financial Operations (CPMF) tax, which is now being debated in Congress.

The administration's draft federal budget for 1996 sets aside R1.9 billion for specific social care programs. During his 1994 electoral campaign, Cardoso promised to invest at least R4 billion annually "in emergency social care actions."

After being publicly praised by the president for having launched last year a package to enhance basic teaching, which is the area chosen by the president to spearhead his administration, Education Minister Souza is already working on his planned goals for March. He decided to assign priority to the following programs: to fight illiteracy, which today stands at 20 percent nationwide; the automation of elementary public schools; to increase the number and to diversify secondary schools, technical training, and post-graduate courses; and finally, to grant full autonomy to universities.

Other ministries are already preparing their goals. Planalto Palace demands each ministry to produce results: each social program must have a detailed timetable of implementation. Beside attempting to provide a more detailed information on public expenses in the social area in 1996 — which is a municipal election year — the administration wants to present in March creative solutions to serious problems.

Unemployment is one of them. During his visit to India last week, where he was accompanied by his adviser Vilmar Farias, Cardoso expressed great interest in the number of jobs created by the Indian Government.

Without reneging on the idea that the administration is already helping to significantly improve the standard of living of the Brazilian people by keeping the economy stable through the Real Plan, PSDB [Brazilian Social Democracy Party] leaders have already realized that they must offer better alternatives to counter steadily increasing unemployment rates.

Brazil Commentary Notes PT Social Security Proposal

PY0202003396 Sao Paulo FOLHA DE SAO PAULO in Portuguese 28 Jan 96 Section 1 p 2

[Commentary by PT President Jose Dirceu from the "Trends/Debates" page: "The Workers Party and the Social Security Area"]

[FBIS Translated Text] The Workers Party, PT, presented its proposal for a social security area reform and a democratic way to discuss this proposal in August 1995. We sought to involve society as a whole — particularly retired people, workers, entrepreneurs, and Congress. The prevailing concept is the achievement of a fairer and more democratic society. Failure to do so merely involves continuing to satisfy the interests of banks and insurance companies, which represent the permanently privileged minorities.

The PT defends in its proposal, and seeks to preserve within the Constitution, a plan that encompasses social security, social assistance, and health assistance. All this would be integrated and have its own budget. The PT believes social security should not be supported only by a social insurance system based on contributions to the Social Security Ministry, but to ensure a universal, basic regime with its own budget which, besides receiving contributions, receives resources from the national budget.

We believe the social criteria for defining the right to Social Security Ministry assistance should involve having a job and contributing to social production — not exclusively through paying contributions to the Social Security Ministry, as the government wants.

We need a social protection network to reverse the trend of exclusion, of social disparity, and of the misery of our capitalist society. A retirement system based on seniority principally seeks to protect low-income workers who do not have formal jobs and who do not contribute to the Social Security Ministry, even though they work for and contribute to the country's wealth. Without this, disparity and the exclusion of a sector of the population from some privileges will continue to grow.

The PT also proposes quadripartite public management for the social security area (comprising representatives of the government, workers, entrepreneurs, and retired people) and a universal basic regime with a minimum basic level of pensions and a ceiling of 10 minimum wages for all workers. In cases where a pension is greater than 10 salaries, the government should create a public complementary social security system, or a private one, or should even transfer these cases to restricted pension funds.

The PT has never defended the implementation or maintenance of privileges or any other sort of distortion. On the contrary, the PT has proposed, among other things, the end of the special retirement system for congressmen; has spoken against accumulating retirement pensions; has imposed rules to prevent the doubling of the years of service in the case of public employees; and, in the case of court judges, has considered extinguishing their privilege of retiring after five years in the position.

We defend the idea of a special retirement system for women, rural workers, teachers, and those who do difficult and heavy work, as well as for those who work under unsocial conditions. We want to grant them rights, not privileges.

The government's proposal sought to privatize the social security area and, in the short term, to reduce expenditures — but it lacked any proposal to fight corruption or tax evasion.

The government proposed a state-managed social security, not a public one, without a quadripartite management and with a ceiling of three minimum wages. Their system is based on 40 years of contribution and a minimum of 60 years of age, for men and women, as well as for rural and urban workers. It leaves the problem of most of the current rights to be solved by complementary laws or simply extinguished these rights.

By refusing to allow the establishment of a complementary public social security system, the government revealed — it did not hide them — plans to privatize the social security area through the creation of a system with a ceiling of three minimum wages, based on a self-sustaining system of contributions. The objective is to remove from the government's shoulders the obligation of rendering social insurance services to the Brazilian people.

The government clearly sought to remove from rural workers their social security benefits and to transfer them to the social assistance area. The plan would also end the retirement system based on seniority, the proportional retirement system, and the teachers' special

retirement system. The government also planned to base retirement pensions on the final 120 contributions.

The government did not propose any solution to the problem of those who worked in the informal economy, or ways to ensure current social security area benefits recover their purchasing power, or ways to prevent the Finance Ministry from using social security area resources for other objectives. All of this is exactly the opposite of what the PT defends.

Together with its economic reforms, the Cardoso administration expected Congress to swiftly approve a reform which, beside making the social security area incompatible with the Constitution, did not offer any transition period from the current system to the new one.

The government proposal was so savage that it was rejected — even by government-supporting parties — during Special Committee debates. Under pressure from the people and in the presence of labor union members and retired people in the Chamber of Deputies at the end of last year, rapporteur Euler Ribeiro accepted the views of opposition parties and labor unions, among them the ceiling of 10 minimum wages and a retirement system for rural workers.

Defeated in its plan to approve its project for the social security area and without a way to make the Special Committee function at the Chamber of Deputies, the government started negotiating with labor unions. These negotiations resulted in the Joint Protocol signed by the government, the rapporteur, and the labor unions confederations. It was announced on 18 January.

This agreement with the government released uproar in the press following news from Planalto Palace that an accord had been signed between the labor union confederations and the government. We now know this did not happen.

Amid this confusion, we must identify the real differences that may exist between the PT and the CUT (Sole Workers Center) over groundless and untruthful statements. The PT recognizes and supports CUT's right to negotiate with the government. This is a result of the autonomy and independence labor unions have achieved in Brazil. The PT has always fought for that and, in its relations with the CUT, has always respected it.

The important thing here is that the CUT acted jointly with opposition parties at Congress and in society. Also important is the unity that exists among the labor union confederations and the Brazilian Confederation of Retired People, and the fact that they worked together to defeat the government proposal. The communique the CUT released on 23 January is clear. There was no accord. So far the negotiations have produced positive

and negative points. Negotiations and mobilizations must continue.

It is necessary to be transparent and honest with society. The PT and its bloc in the Chamber of Deputies have the right and the duty to openly express their viewpoints. They have the right to defend, for example, a retirement system based on seniority while the labor union confederations have the right to negotiate with the government. This is democracy, this is what Brazil needs, and this is what the government must put into practice.

Brazilian Committee To Set Quotas for Parochial Projects

PY0102142296 Rio de Janeiro O GLOBO
in Portuguese 31 Jan 96 p 4

[Article by Denise Rothemburg]

[FBIS Translated Text] Brasilia — Pressured by lawmakers from virtually every bloc, especially by those who will be running for office in the municipal election, members of the Joint Budget Committee yesterday decided to set a quota ranging from 1.2 million reais [R] to R1.3 million to fund each individual amendment sponsored by deputies and senators. In addition to the projects approved through reports prepared for each area, each congressman will be entitled to distribute the above amount to meet requests from their electoral bases. The sum of these individual quotas will represent nearly R700 million because 511 of the 594 lawmakers have approved amendments on the seven subcommittees. The decision yesterday provoked a run on the Budget Committee.

The news spread rapidly through the halls of the Chamber of Deputies. During their coffee break, deputies asked where the committee members were meeting to make sure that they be allowed to fully spend their quota. As an example, we can mention the case of Deputy Armando Costa (PMDB-MG) [Brazilian Democratic Movement Party-Minas Gerais].

Costa said: I want to add more funds to my amendments. This is going to be the most worthwhile achievement of the committee.

Deputy Fernando Diniz (PMDB-MG) said: Yes, I have advocated this from the very beginning: It is every congressman, not the federal administration, who is aware of municipal problems. I unsuccessfully fought for this earlier, and I have finally succeeded. Diniz is a longtime customer of the budget committee.

The distribution of quotas was the solution found by the committee to obtain the support of bloc leaders

and of the 450 deputies and senators to approve the budget. Annoyed by the lack of funds for parochial projects, most congressmen were threatening to turn down the report of rapporteur Ibero Ferreira (PFL-RN) [Liberal Front Party-Rio Grande do Norte]. Discouraged and overwhelmed by individual amendments, last week Ferreira confided to his colleagues that there was no other solution but to set aside funds for municipal administrations. Yesterday, he appeared to be relieved.

Ferreira said: Funds will not be distributed at random. Amendments will have to conform to a established criteria. Projects will have to be of a social nature and in keeping with the reports approved for each area. We are not going to give blank checks (to set a symbolic value that can be supplemented later). The amount allocated will have to be sufficient to complete the project. Otherwise, I will reject it.

Renan Calheiros (PMDB-AL) [Alagoas], chairman of the committee, said: We are going to accord a fair treatment to all congressmen who have approved amendments.

One of the major problems of the committee is now to reduce the amounts established in each amendment. For instance, in the health area, which is considered to be one of the most complicated ones, nearly R70 million have been approved through amendments sponsored by Romero Juca (PFL-RR) [Roraima], who is responsible for the health report. Yet, through just one conversation with the committee members, Romero agreed to reduce the cost of his projects by nearly R8.5 million.

Brazil's Central Bank Announces Dollar Rate Increase

PY3101010796 Rio de Janeiro Rede Globo Television
in Portuguese 2200 GMT 30 Jan 96

[FBIS Translated Excerpt] The Central Bank has just announced a new devaluation of the real. Here is Alexandre Garcia's live report from Brasilia:

[Begin Garcia recording] The real has been devaluated approximately 7 percent in relation to the dollar. This new exchange rate goes into effect beginning 31 January. [passage omitted]

The new rate band goes from 0.97 cents to 1.06 reals. This is the first time the dollar rate can surpass 1 real. Gustavo Franco, director of the Central Bank Foreign Affairs Department, has said that he expects a serene reaction from the market, as has occurred on previous occasions. [passage omitted] [end recording]

Brazil: Heavy Entry of Foreign Money Prompts Concern

96SM0068A Rio de Janeiro JORNAL DO BRASIL
in Portuguese 24 Jan 96

[Article by Claudia Safatle: "Central Bank Relaxes Freeze" — received via Internet]

[FBIS Translated Text] Auctions of public bonds are aimed at withdrawing from circulation the excess currency resulting from the entry of dollars into the economy.

Brasilia—The heavy inflow of foreign money is not a new problem, but it is causing the economic team renewed concern. Last Monday alone saw the net entry (that is, excluding remittances abroad) of \$319.6 million into the country through the free exchange market, thus raising the amount of foreign money entering the country this month to about \$2 billion. In the floating exchange market, \$73.8 million had entered as of the 22d of this month. On the other hand, the BC [Central Bank] has not announced the amount leaving the country in operations covered by Circular Letter No. 5 (CC5).

That flow of money, added to last month's growth in the money supply, has led the BC to hold two bond auctions this month. In the first, which was held last week, it placed about 1.2 billion reals net. In yesterday's auction, which will be paid today, it lightened the market by an additional 1.35 billion reals.

Reserves

The massive inflow of dollars is worrying the economic team this year in particular, since the policy is not to accumulate more exchange reserves, which end up being very expensive. To absorb the dollars that are coming in, the government is issuing public debt instruments, which are remunerated at interest rates much higher than international rates.

That policy resulted in the accumulation of exchange reserves totaling \$51.8 billion last year. On the other hand, the securities debt (in Federal Government securities) jumped from 61.8 billion reals in December 1994 to 108.6 billion reals in December 1995. That is a nominal increase of 76 percent in a year in which the inflation rate did not exceed 25 percent.

Deficit

Viewed from the standpoint of the balance of payments, the inflow of foreign money is good because it means the government has no difficulty financing the deficit in current transactions (the difference between the trade balance figure and payments for services abroad), which

is expected to total 2.5 percent of the gross domestic product (GDP) this year. But the accumulation of international reserves eventually causes havoc in the public sector's accounts, depending on how much the domestic debt increases.

The abundance of dollars, on the one hand, and the level of economic activity, on the other, are two important factors in determining the level of interest rates this year.

Level of Activity

At the moment, the signs of recovery in industrial production and sales in commerce are not worrying the economic team. On the contrary, as Jose Roberto Mendonca de Barros, secretary of economic policy in the Ministry of Finance, has pointed out, "we are a long way from repeating the heating up of the economy that occurred at the start of last year," and unemployment is continuing to rise. In his opinion, the data on the level of activity show only that "we are in the classic stage of replenishing inventories," which is absolutely normal behavior in January.

Experts in the Ministry of Finance who monitor changes in consumption say that credit checks with the Credit Protection System (SPC) during the first two weeks of this month were up by 5.1 percent over the daily average for the same period last year, but they point out that that is a flimsy indicator on which to base the idea that consumption is heating up.

Industrial sales have been rising steadily since October 1995, and the replenishment of inventories in trade is being carried out primarily with domestic products. So this is not a development that is going to push imports up.

The situation is calm in the area of domestic consumption. "We view the data with satisfaction and not with concern," Mendonca de Barros comments.

For the time being, as far as the steady inflow of dollars is concerned, the BC is ruling out any measure that might slow that movement. It will continue to relax the freeze.

Brazilian Editorial Views Domestic Debt Problem

PY2401205596 *Sao Paulo O ESTADO DE SAO PAULO in Portuguese* 23 Jan 96 p A3

[Editorial from the "Notes and Information" page: "The Public Debt Growth"]

[FBIS Translated Text] Recently published figures by the Central Bank show the total net public debt totaled 199.7 billion reais [R] by November last year — equivalent to 30 percent of the GDP. At the end of

1994 it stood at 28.5 percent of the GDP. Its growth in the past few years is worrisome. It climbed (in dollars) by 4 percent in 1992, dropped by 1 percent in 1993, and jumped 21 percent in 1994. If the trend continues, although the debt has apparently dropped, we may face a very delicate situation especially if we observe that most of the debt (81.2 percent) is domestic and financed through federal or state titles on which very high interest rates are charged. These titles, which are rolled over regularly, contribute to proportionally increase the debt volume. The Brazilian net foreign debt dropped in proportion to the increase in our international reserves on account of the great inflow of foreign investments. A very large portion of our debt is represented in titles (federal, state, or municipal titles). We normally hear that our public debt is small in comparison with that of other countries, which is a fact that is true: It is equivalent to 16.6 percent of our GDP for federal titles, and to 5.5 percent of the GDP for state and municipal titles. In the United States the public domestic debt represents 70 percent of the GDP and in Italy it represents more than 100 percent. However, we should apply a more dynamic vision to analyze this information. First, the Brazilian debt is expressed in short-term titles (the issuance of federal titles with a 56-day maturity date was considered very favorable...) when in other countries such titles have a 30-year maturity date. This shows the vulnerability of our system, given that the state governments must roll over their debts, including interest rates, placing them at the mercy of a public that will only accept such a risk if they obtain increasingly higher interest rates because it knows the debt will grow. It must be remembered that in an exceptional stage of price stability, the federal public debt (according to Central Bank figures) increased by 78 percent last year (until November) and by 47 percent in the case of states and municipalities.

Without doubt, the growth of that debt is due to exceptional circumstances (that have been lasting for many years, however...), especially when the monetary authorities need to accumulate hard currency reserves (which requires issuance of money) and the issuance of titles to neutralize the inflationary effects of the excess of liquidity. In face of this situation, we would like to know just how interested are we in increasing our reserves given such pernicious effects.

But there are other factors that further worsen the public domestic debt: the transference of the state debt — which continues to grow — to the federal government, means making the situation eternal. The money issued for the Proer (Program to Encourage the Reorganization and Strengthening of the National Financial System) to help the financial system is also an aggravating factor.

The issuance of money for Proer caused the monetary base to grow by R\$5.6 billion in the last few months of 1995. To this one must add the deficit of the Treasury, which increased in 1995, and the Social Security deficit, which will also increase in the next few years. The situation is far worse than we imagined on account of a deficit that is not included in official statistics: The FGTS [Severance Pay Fund] is being used to finance the housing program and one day it will have to be recognized and repaid, in large amounts of money, to the Treasury.

Finance Ministry officials know what must be done to put the public finances in order: An operational surplus (the nominal deficit from which the monetary and exchange corrections are deducted) must be created equivalent to the service of the internal debt. The operational deficit in November 1995 was 4.47 percent of the GDP, compared with the 1.34 percent surplus last year. The government intends to reduce it this year by attenuating the banking interest rate. Such a reduction is very modest and if the debt volume continues to grow it will hardly effect the public accounts.

Under the current situation, and knowing it is very difficult to reduce expenses while the tax burden hits a record 30 percent of the GDP, the solution would be to use the resources that could be raised from the privatization of large public companies. The privatization process, however, seems to be going very slowly, and even if public companies are sold to help reduce our domestic debt, we will not be able to prevent it from growing again or at least from becoming a long-term debt.

To put the public finances in order a series of structural reforms must be implemented: The reform of the administration, a reduction of the public employee payroll, and a restructuring of the social security system.

Brazil: Explosion of Government's Internal Debt Seen

96SM0068B Rio de Janeiro JORNAL DO BRASIL
in Portuguese 25 Jan 96

[Article by Sergio Fadul: "Explosion of Debt"; received via Internet]

[FBIS Translated Text] *By December of this year, the government will have to roll over 75.76 billion reais in short-term debt—the equivalent of 93.79 percent of the total.*

Almost all of the government's internal debt will fall due this year, according to the timetable at the Department of Open Market Operations at the Central Bank (BC). The concentration of due dates for short-term

public debt shows that the financial market still does not have enough confidence to buy government securities with a term of more than one year. That situation means that the government will have to negotiate with the banks between now and December to roll over 93.79 percent of its total debt—meaning, in financial terms, 75.76 billion reais.

The government's largest source of financing continues to be the market, which on a single day—31 January—will be negotiating the rollover of the 8.7 billion reais in debt that will fall due on 1 February. Alvaro Manoel, a partner in MCM Consultants, claims that if the profile of the debt were extended, the government would be able to pursue its economic policy in a calmer atmosphere. "Everything depends on how much confidence the market has in the government. This shows that there is still a degree of uncertainty regarding the permanence of the economic policy," says Manoel.

The economist adds that the big question is not the amount of debt concentrated in short-term paper but the lack of conditions for reversing that situation. "The best thing would be to issue securities with a term of 10 or 20 years, but that is not possible at present," says Manoel, who once headed the Public Debt Division of the National Treasury. He adds that the government has had some success in extending the debt, a good share of which has now been renegotiated on the day-to-day market.

High Premium

"That process has to be carried out very calmly, since the memory of inflation in recent years still makes it impossible to think in terms of one or two years," says the MCM partner. Antonio Carlos Lemgruber, former president of the Central Bank and now director of the Liberal Bank, says that it is currently cheaper for the government to work with short-term debt than to try to sell longer-term securities. "The market would demand a very high premium to accept paper for longer terms. Experience shows that rolling the debt over has been an easy process," says Lemgruber.

The need that the banks have to invest their customers' money in order to remunerate financial investments and the fact that compulsory deposits can be made in the form of government securities guarantees a demand for public debt instruments. Out of every real in the economy, about .40 or .50 reais goes to the National Treasury in the form of compulsory deposits, says one expert in the Ministry of Finance.

Sure Thing

The problem is that the government's need to keep interest rates high is making that debt increasingly expensive and providing good profits for the banks, which, without running any risk, are finding a customer better than the productive sector. The government had a public operating deficit—a concept excluding inflation—of close to 4.5 percent of the gross domestic product (GDP) last year after recording a surplus of 0.5 percent the year before. "Since the government does not have a fiscal policy, it needs to make use of other instruments such as high interest rates," says Alvaro Manoel.

Collateral Effect

The MCM partner says that interest rates are a powerful instrument with which to inhibit the growth of the economy and attract foreign capital, but that they have many collateral effects. "At the moment, we have no alternative. We lack equilibrium in the internal accounts, the level of domestic savings is low, and we still have to pay a high premium for foreign capital," says Manoel.

Brazilian Article Views WTO 'Waiver' on Automobiles

PY2001021596 Sao Paulo AGENCIA ESTADO
in Portuguese 2037 GMT 18 Jan 96

[Article by Vladimir Goitia]

[FBIS Translated Excerpt] The government might have to make important concessions in order convince the WTO to agree to a "waiver" [preceding word in English] in order to maintain the provisional measure [MP] on Brazil's cars system in effect. Other productive areas might have to pay a dear price for maintaining the MP on cars, including agriculture producers and shoe makers. "Brazil can obtain a consensus to approve a 'waiver' at the Merchandise Commerce Council only at the expense of important concessions in other areas. No one will support Brazil without receiving a compensation in exchange," a foreign trade department source said.

For this source, who is an expert in international law, the negotiation at the WTO will only consider a list of compensatory measures. "Nothing else. The only thing left to know is who will pay the price for the consensus Brazil needs to have the 'waiver' approved," the source added. "The groups who usually lose the most in this type of negotiation at this world level are agriculture producers and shoemakers," the expert said. [passage omitted]

The Foreign Ministry denies that the MP providing incentives to the production and export of vehicles

violates some WTO rules, but diplomats say that the "waiver" will be useful to avoid eventual confrontations with countries that might want to dispute some of the dispositions of the MP on automobiles. Among the incentives is a 90-percent reduction of the tax on the import of raw materials for car makers established in the country. Experts anticipate that Japan and Korea, for instance, will protest arguing that the tax reduction is subsidizing Brazilian auto makers. If this were the case the MP would be violating the WTO Agreement on Subsidies and Compensatory Measures.

The item establishing a 35-percent tax for vehicles imported by car assembly plants and 70 percent for independent importers could also be considered "discriminatory," which violates WTO Article 30. This article considers that governments cannot establish subsidies for certain productive groups alone, as agriculture for instance.

"We are informing the WTO that all imported vehicles will pay 70 percent in taxes. Meanwhile, auto makers who export large volumes of vehicles will receive large benefits," a Foreign Ministry source argues. This source believes that the tax difference is an additional advantage that will benefit plants that decide to move to Brazil.

A Foreign Ministry diplomat said that the "waiver" request will be sent to the Merchandise Commerce Council in the next few days, adding that the Council will have 90 days to issue a decision. The request to examine the "waiver" is purely political and the Foreign Ministry source believes that Brazil's request will be approved by the WTO. "We will make a diplomatic effort to obtain the approval," the source says. The official thinks that the "waiver" is the most appropriate way to solve the problem of the MP on automobiles. It is also a political solution that will not hurt Brazil's international partners, the official said. [passage omitted]

Brazil's Communications Minister on Telecommunications

PY2901111396 Rio de Janeiro JORNAL DO BRASIL
in Portuguese 25 Jan 96 p 12

[FBIS Translated Text] The public telecommunications companies will only be privatized during the next administration. According to statements made by Communications Minister Sergio Motta to the Science, Technology and Communications Committee in Congress, the government will first restructure the public telephone companies and then allow the creation of private companies to compete in the same basic areas covered by the

public telephone companies. Since the minister guaranteed that the privatization will take place only after these two conditions are complied with, it will be possible to privatize the companies only during the next administration. "The idea is to try to reorganize the public telephone companies during the Cardoso administration," Motta said.

The "essential model" of this reorganization is to transform the 27 existing public companies into five or six holdings, open to private enterprise, and create conditions of competitiveness among the holdings, and then privatize the public companies. In order to dodge the reaction of the PFL [Liberal Front Party] congressmen who want a faster privatization process, the minister avoided openly recognizing that the sale of the public telephone companies cannot take place during the current administration. "I want to try it during this administration, but it is not easy at all," he said.

The whole government privatization project is based on careful actions to prevent the formation of private monopolies in the telephone sector, as happened in England — an example studied by Telecommunications Ministry experts. "I am against replacing a public monopoly with a private one. We will not create a captive market for anyone."

Minister Motta said that the process is cautious and consistent and that the government has an unyielding commitment to privatization based on competitiveness. "If anything else were done, it would affect the future of the country," he said.

The great difficulty in carrying out this timetable is freeing the companies belonging to the Telebras [Brazilian Telecommunications, Inc.] system to act as private companies. One of the suggestions made by the minister to the congressmen was that they modify Decree-Law 200 which transformed the public corporations into indirect administration companies. The decree forces the public telephone companies to follow strict rules regarding their budgets, purchases, and contracting and dismissing of personnel.

"Nowadays, the Public Companies Coordinating and Control Board stresses the control means rather than the results," Motta said critically. Freedom of administration is also a prerequisite to allow the public companies to compete with their private contenders without their price being devaluated during their privatization process.

Brazil: Telephone Firms Renew Contracts Without Bids

PY0202024796 Sao Paulo FOLHA DE SAO PAULO
in Portuguese 31 Jan 96 Section 1 p 8

[Article by Fernando Rodrigues in Brasilia]

[FBIS Translated Excerpt] Almost all state-owned telephone companies — the so-called "teles" — have renewed, beginning last November, contracts for the purchase of cellular telephone equipment without holding tender biddings.

The overall value of these contracts surpasses 1 billion reais [R]. FOLHA DE SAO PAULO publishes, in its 31 January issue, the values of the contracts signed with Telesp [Sao Paulo Telecommunications], which is the enterprise responsible for cellular telephony in Sao Paulo State.

Telesp has renewed contracts with NEC, Equitel, and SID. The overall value of these contracts is R722.6 million.

Currently, only state-owned companies can render cellular telephony services in the country. To this end, they buy equipment from specialized multinational enterprises.

"Almost all enterprises have renewed their contracts," Fernando Xavier Ferreira, president of Telebras [Brazilian Telecommunications, Inc.] said on 30 January. He did not want to supply figures on the renewed contracts.

Telebras is subordinated to Communications Minister Sergio Motta (Brazilian Social Democracy Party).

Discreetly, the ministry asked for the opinion of the Attorney General's Office (AGU).

The AGU is an organization that renders legal advisory services to the Presidency of the Republic.

On 17 November 1995, DIARIO OFICIAL DA UNIAO published the AGU's judgment, which was favorable to the government's decision to renew the contracts without holding tender biddings.

As a result, Telesp renewed the contracts in December.

According to AGU's judgment, it was not "indispensable to hold tender biddings" in order to sign contracts for the purchase of equipment to expand the system. The argument was that there is no technical compatibility in equipment purchased from different enterprises. [passage omitted]

Brazilian Official Views State Monopoly on Radioisotopes

PY2301231496 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 16 Jan 96 p A2

[Article by Jose Goldemberg, former University of Sao Paulo rector and former education minister]

[FBIS Translated Text] One beneficial consequence of the development of nuclear energy during this century involves the possibility of synthetically producing radioactive substances (radioactive isotopes) for medical and industrial use. Regardless of developments in the field of nuclear energy for the production of electricity through the use of nuclear reactors — a technology that may not survive in the coming century — the use of radioactivity for medical diagnosis, cancer treatment, and industrial applications will remain with us in the future.

The nuclear era began at the start of this century with the discovery of radium by Madame Curie — who incidentally caught cancer through handling this element — but the latest developments have significantly expanded the range of applications of radioactive substances, which have become a routine instrument in industrial laboratories, hospitals, clinics, etc. Today, the diversity of radioactive substances for various specific purposes is such that several countries have "radio drugstores," that is, "drugstores" selling radioactive substances for specific purposes ready for use on patients either for diagnosis or treatment. This is a new area that the appropriate authorities must carefully control to avoid risks for the population. Despite the risks, it is a commercial activity.

In Brazil, owing to a mistake — or probably a lack of real understanding of the problem — the 1988 Constitution created a federal government monopoly for the exploitation and trade of radioactive minerals, ore, and associated byproducts used as a source of nuclear energy. When mentioning byproducts, the 1988 Constituent Assembly members were probably thinking of elements like plutonium — which is produced within nuclear reactors, but which can be used in other reactors or to manufacture nuclear weapons — rather than radioactive isotopes for peaceful use.

Beside plutonium, radioactive isotopes are also derived from radioactive minerals or ore, or even from other elements inasmuch as they are exposed to radiation in nuclear reactors even though they are exclusively used for peaceful purposes. Nevertheless, the Constitutional text draws no distinction between them.

This is why a typically commercial activity (provided Brazil masters the technology) became a federal government monopoly. The Constitution itself tried to re-

solve the problem by establishing that "the use [preceding word in *italics*] of radioisotopes for research purposes, medical use, etc. is authorized under the system of concessions." The concession, however, is for the use [preceding word in *italics*] and not for the commercialization [preceding word in *italics*] of radioisotopes; and the National Nuclear Energy Commission (CNEN) is ensuring that this will never happen.

One of the positive results of the government monopoly in this area was the effort made by state-run research institutes like the Sao Paulo Institute for Nuclear and Energy Research (IPEN), which has a nuclear reactor that produces some isotopes and imports others. IPEN is equipped with modern processing laboratories, where this modern technology was fully mastered.

This notwithstanding, a nuclear policy advocating complete nationalization is not warranted in Brazil for two reasons:

- First and foremost, because there will surely be a boost in demand in the coming years and it will be difficult for IPEN (or any other agencies directly managing nuclear energy) to meet the demand alone without becoming a major "radio-pharmacy," since it is a research and development institute and not a company.

- Securies, where this modern technology was fully mastered.

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- First and foremost, because there will surely be a boost in demand in the coming years and it will be difficult for IPEN (or any other agencies directly managing nuclear energy) to meet the demand alone without becoming a major "radio-pharmacy," since it is a research and development institute and not a company.

- Second, because competition in any area of commercialization is healthy. It is argued that if the field is left open for private undertakings we will be deluged by massive imports and dumping [preceding word in *English*], which will hopelessly cripple IPEN's capacity to operate. Yet this is precisely the same argument used to protect the obsolete informatics market, which was condemning Brazil to backwardness. The same argument is still used over new chains of supermarkets (like Wal-Mart), which cut prices and thus forced other supermarket chains to follow suit, with the resultant benefit for the entire population. The solution for these problems is common knowledge — the CADE [Administrative Council for Economic Defense] is there to prevent dumping. Moreover, import quotas for isotopes could

be implemented to protect domestic industry and technology.

It could also be contended that the price of radioisotopes on the Brazilian market is low because the federal government assumes certain costs. Nevertheless, this argument only serves to increase the "Brazil Cost," which companies are trying to reduce across the board. In addition, those low prices benefit the Unified Health System (SUS) rather than patients at nursing homes.

It is difficult to imagine that the use of radioisotopes in so huge a country as Brazil should not include the commercialization of those isotopes, but CNEN adopted an ambiguous attitude, authorizing certain activities and banning others, which gives it an undesirable power of arbitrator.

A more reasonable solution would be to ease the government monopoly of the commercialization of radioisotopes, as already done with oil and other sectors. The federal government should only hold a monopoly on matters of strategic interest in its nuclear policy.

Brazilian Senate Committee To Debate Software Bill

PY3101234396 Sao Paulo GAZETA MERCANTIL
in Portuguese 29 Jan 95 p A7

[FBIS Translated Text] The debate by the Constitution and Justice Committee of the Federal Senate on the proposed executive branch bill to protect the intellectual property of computer programs (software) [preceding word given in English] will begin this week. On 27 January, the Chamber of Deputies approved the text of the so-called software bill by 408 votes to 11, with four abstentions. Science and Technology Minister Jose Israel Vargas said the bill fully covers all positions related to this issue that were approved, even by Brazil, within the framework of the Uruguay Round of GATT. This was reported by AGENCIA BRASIL.

The government's proposal revokes restrictions on foreign software trade. Among these measures, it revokes the obligation to register the program in advance, tests to prove similarity between computer programs, market reserve for national enterprises that want to distribute foreign software, and mandatory licensing contracts for the marketing of software.

Minister Vargas said he views optimistically the receptiveness of the Senate for the modernization of market relations in the area of software. He said the initiative to end the outdated stage of market reserve on informatics and the decision to replace it with a policy based on quality and productivity came from Congress. The

minister added that the Brazilian informatics market currently totals around 12 billion reais.

The software bill disciplines and regulates "author's rights" for the creation of programs and follows the international trend within the informatics market.

Brazilian Labor Leader Views Accord With Government

PY2601002596 Rio de Janeiro JORNAL DO BRASIL
in Portuguese 21 Jan 96 p 14

[Interview with Vicente Paulo da Silva, aka Vicentinho, CUT president, by Fernando Neves, at the CUT headquarters in Sao Paulo; date not given]

[FBIS Translated Excerpt] [Neves] Did the Workers Party [PT] exert any pressure on the CUT [Brazilian Sole Workers Center] during the period in which you negotiated the social security area reform with the government?

[Vicentinho] No. At no time has there been any PT pressure on the CUT. What happened is that the PT behaved in a way that I cannot accept. Some federal deputies acted as if the CUT had to give satisfaction to political parties, as if CUT did not have autonomy before the political parties. This is inadmissible.

[Neves] Who are those deputies?

[Vicentinho] I wouldn't like to mention their names because I have already criticized them so much that, currently, I would rather temporize and seek an understanding. Despite all that, as a good PT member, I will not allow anyone to take the CUT's political autonomy away.

[Neves] Did the federal deputies question CUT's political autonomy?

[Vicentinho] They did not clearly question the entity's autonomy, but said that we should have consulted them before discussing the social security area reform. Some of them even wanted to forbid me to hold talks with the government. They were deputies of the PT and of other parties also. This showed me that some deputies believe that the labor unions function as political parties' factions. I do not have the intention of occupying any deputy's position because if I wanted to, I could run for a seat in the Chamber of Deputies. Nor can the CUT replace the PT politicians, because some of its members are affiliated with other parties also. The CUT is autonomous and has the right to negotiate with whomever it wants to.

[Neves] Will the CUT make it clear to the PT that each entity's acts have certain limitations and prevent, in this way, further interference in its autonomy?

[Vicentino] No, because this would be a way of interfering in the internal affairs of the PT and hurting the party's autonomy. It is up to other party members to clarify these issues. PT President Jose Dirceu has been talking to the PT members to make clear that the CUT is autonomous. This issue is very clear to me because I have helped in creating the PT. I was a PT member even before joining the CUT.

[Neves] How would you describe CUT-PT relations?

[Vicentino] Good, because both entities defend similar proposals. As a PT member, I have learned that we must preserve each institution's autonomy. Respect for the autonomy of the labor unions is contemplated in the PT program, and I will always defend this principle.

[Neves] Does that mean that the PT deputies have hurt the party's statute?

[Vicentino] They were not able to hurt the statute because we did not allow them to. (laughs) But they felt like doing this. It is difficult for them to understand that the CUT is autonomous and does not have to give satisfaction to any party. Several CUT leaders were hurt by the PT deputies' comments.

[Neves] Are there CUT leaders who support the idea of closer ties between the institution and the political parties?

[Vicentino] Yes, some of them want the CUT to be more linked to one of the many Brazilian political parties. There have been debates about that for many years and we are not even bothered by them anymore. As the CUT is a pluralistic institution, everyone can voice their ideas. In practice, however, the autonomy of the labor unions remains in force. Otherwise, the CUT will become a large nucleus of the PT, for example, and lose its pluralistic characteristics. By maintaining the policy of autonomy, the CUT has allowed other labor unions to become affiliated and has thus become the fourth largest labor union central in the world.

[Neves] Are you in favor of closer relations with the PT?

[Vicentino] No, because this would put an end to the CUT's autonomy. Many union members mistakenly think that this would be a good idea and believe that this would be a way of implementing a social revolution. To be a revolutionary, it is not necessary to transform a labor union, or the CUT, into an entity that allows only revolutionary people to become affiliated because only they have the same political party concept.

[Neves] What do you mean by being a revolutionary?

[Vicentino] In my opinion, it means belonging to a political party and having the capacity to unite the entire

working class, not only the most combative members of the class or those who have political ideas similar to one's own ideas, despite being a member of a specific labor union or of a labor union confederation. This is the sort of vision some union leaders lack. It is not enough to have a revolutionary discourse; one must put the revolutionary ideas into practice. I am not going to say who is like that inside the CUT, but if one looks at the CUT members carefully, one will immediately identify those who are like this.

[Neves] Which parties are represented within the CUT?

[Vicentino] None of them. The parties do not have representatives inside the CUT because our institution is not a confederation of political parties. What happens is that people who are affiliated to the different political parties are also members of the CUT. Some of our CUT members belong to the PT, others to the Democratic Labor Party, the Communist Party of Brazil, the Unified Socialist Workers Party, the Brazilian Social Democracy Party, or the Brazilian Democratic Movement Party. The CUT has a socialist orientation but it does not have any party definition. It has more affinity with the PT because the PT is the political party that is closer to the workers and defends the same proposals as the CUT.

[Neves] Workers and entrepreneurs believe that unemployment will probably increase this year. What will be the CUT's strategy to fight this problem?

[Vicentino] The labor unions affiliated to the CUT decided in a plenary session held last year that the priority in 1996 is to maintain the current level of employment. The CUT has already drafted some proposals, such as an industrial policy, that can generate jobs; a fiscal reform with a good income distribution; salary readjustments; the agrarian reform, which can result in new jobs; and a policy that values micro and small enterprises, which are responsible for 60 percent of all jobs. In addition, in order to be able to control the new types of jobs that are being created, which are technologically more advanced, the CUT will conduct a national campaign in the defense of professional and basic-level education. [passage omitted]

[Neves] How would you characterize relations between workers and entrepreneurs at present?

[Vicentino] Fairly developed, despite the setback at the Mercedes-Benz company (the enterprise has dismissed nearly 1,000 employees since last July). Nowadays, there is more dialogue than there was 20 years ago. As dialogue sometimes gives way to quarrels, however, some leaders are not very accustomed to this new situation. After having spent so many years asking for things and receiving "no" for an answer, ones becomes

rather unresponsive when finally receiving "yes" for an answer. Nevertheless, things cannot be like that. We must be prepared for modern times, and have a modern way of being a member of the opposition.

[Neves] Don't you fear that some will deem this sort of attitude as not very combative and criticize it?

[Vicentinho] It is not a matter of giving up the fight or of being less combative. We must also know how to engage in dialogue. The objective of a fight is to achieve a goal. If one gets what he or she wants without having to fight for it, better still. Some people believe, however, that things achieved without having to fight for them are not valid. But this is a wrong concept because the final objective of the labor unions' fight is to improve the situation of the working class, and not only to fight for it. There are places in Brazil where the workers' rights are respected, including their right of gathering together in labor unions. But there is also still slave labor in the country. Charges have been filed against Amplimatic, an enterprise that manufactures antennae in Sao Jose dos Campos (Sao Paulo). The company is charged with hiring children and even prisoners under slave labor conditions, or with extremely low salaries. [passage omitted]

**Brazil's PMDB President Paes de Andrade
Interviewed**

PY0102004896 Sao Paulo FOLHA DE SAO PAULO
in Portuguese 30 Jan 96 Section 1 p 10

[Interview with PMDB President Paes de Andrade by
Lucio Vaz, in Brasilia; date not given]

[FBIS Translated Text] [Vaz] About a month ago, when you criticized the PMDB's [Brazilian Democratic Movement Party], relation with the administration, some deputies said you were crazy, that you did not represent the party. Have you changed this situation?

[Paes de Andrade] I always said that the PMDB supports the administration. I only added that such support for a president who is not from our party does not mean unconditional support. Unconditional support would be selfish.

I did not defend breaking from the administration. I told the president on five occasions that the PMDB is the most responsible party that allows governability. The PMDB does not, however, participate in government decisions. It does participate, it is on the outside.

[Vaz] One week after those meetings, the president authorized ministers to campaign in the municipal elections. What do you think of that?

[Paes de Andrade] I hope the government apparatus will not be used and that the ministers will not commit abuses. Ministers participating in elections could harm the government's relations — not only with the PMDB but with the other parties that support it.

Municipal elections are very enthusiastic, they always radicalize. When coming to the podium, minister will be ashamed to hear the public demanding that he fulfill his promises. If he takes the podium he could feel more ashamed because his work table could be there.

In a presidential government system it is very difficult to participate in elections, assume the podium, and not use the DIARIO OFICIAL DA UNIAO. That would be an abuse of political powers, harming the freedom to vote, which is a crime described and punishable under the Electoral Code. The use of the government apparatus is unacceptable.

[Vaz] During a recent meeting with President Cardoso, 115 million reais were authorized for the Transportation Ministry. Your party demanded more funds for the PMDB ministers. Has any progress been attained in this field?

[Paes de Andrade] Yes. [Transport Minister] Odacir (Klein) is a great minister, capable, and competent. The budget did not allocate him enough funds to carry out a minimum program, or project the image of the party that is with him or even that of the president of the Republic.

[Vaz] Will the PMDB have a presidential candidate for the 1998 elections?

[Paes de Andrade] The PMDB has a political project. It depends on two basic things. First, party unity. I believe the PMDB will be greatly strengthened by the municipal elections, with hundreds of mayors. We will then gain strength to implement our project.

There is another project. The press has already given prime coverage to statements by a pro-government man who said President Cardoso and the forces that support him had a project for the next 30 years (referring to statements by Communications Minister Sergio Motta).

After this, if that project prospers, our project will be carried out on a parallel basis with the government project. Parallels only meet on the horizon. I told the president: Who knows if somehow or by your own political will, those parallel projects will meet; the PMDB project will become that of your administration; the administration's project will become to be that of the PMDB; and the president of the Republic will support the PMDB candidate for the presidency.

[Vaz] What do you think of reelection for president?

[Paes de Andrade] I am totally against it. Reelection is not our Republican tradition. It will allow political abuses, the use of the government apparatus. Elections will not be clean. We want free elections.

[Vaz] Do you think President Cardoso would allow the use of the government apparatus?

[Paes de Andrade] No. But even if he prevented it from being used, who could control it in the states and municipalities? The reelection subject is on the agenda of our party convention. Our bases will have a word on it.

[Vaz] What is your position regarding the end of labor stability?

[Paes de Andrade] I will not approve any bill that violates the rights of the workers.

[Vaz] What is your position regarding Sivam [Amazon Region Surveillance System]. Should the contract with Raytheon be canceled?

[Paes de Andrade] It should be canceled. That contract is mortally wounded. I even supported the creation of a Congressional Investigative Committee on Sivam.

Brazil's Sao Paulo Governor Assesses First Year

PY2701014796 Sao Paulo O ESTADO DE SAO PAULO in Portuguese 22 Jan 96 p A6

["Exclusive" interview with Sao Paulo Governor Mario Covas "on his first year in office" by Silvio Bressan at Bandeirantes Palace in Sao Paulo; date not given]

[FBIS Translated Text] [Bressan] What has changed in Sao Paulo during your first year in office?

[Covas] We had to put out many fires. While there was only 36 million reais [R] in the state coffers, we needed R800 million to pay salaries. During our first two months in office, we were forced to react rather than to act. There was an inadequate information system because the only information available was that supplied by some officials. We have made significant progress in these areas: We conducted a complete survey of public servants, a complete survey of schoolchildren in the state, municipal, and private school systems; and we have started an agricultural census.

[Bressan] Yet, your administration has attracted more attention through the cuts it has made.

[Covas] We canceled all the contracts signed by Banesp [Banespa Inc. Technical and Administrative Services] and we reexamined all 5,000 concessions granted under contract. We realized that the state must obtain financial resources by selling state-owned hotels and resorts, which are currently in the bidding stage; by privatizing

CEAGESP [Sao Paulo State General Warehouse and Supply Station Company] (bids from prospective buyers will be received in the next few days), and Codasp [Sao Paulo State Agricultural Development Company] (the bill is already at the state legislature). At a time when the state debt is growing, it is unreasonable to hold 21 real estate properties. We have also taken corrective financial actions in all Sao Paulo state-owned companies.

[Bressan] What has your administration done that many people are failing to see?

[Covas] Many people have seen very little. For the first time ever we have a complete list of state debtors. Today, instead of claiming there are 110,000 state debtors, I know that 10,000 major debtors account for 92 percent of the overall debt. We have rescheduled R1.6 billion and will collect R3.1 billion. That is much less than was claimed initially; that is, R10 billion. I found 2,200 unfinished projects which had accumulated a R2.4 billion debt. They have all been inspected and assessed.

[Bressan] Do you believe the people understand all this?

[Covas] Well, what else could they have expected amid the chaotic situation we inherited? To make things even worse? To undertake new projects without any money? Yet we will undertake some projects like the Jupia canal locks and a number of hospitals with the help of the private sector.

[Bressan] Mayor Paulo Maluff has undertaken a few projects.

[Covas] I do not want to appear as though I am using this as an excuse, but I governed the city of Sao Paulo with an \$800 million budget. Today, the city's budget should amount to more than \$3.5 billion.

[Bressan] Why has then the financial situation of the state deteriorated so much?

[Covas] State administrations and the banking system face the same difficulties stemming from the drop in inflation rate. In the past, a one month delay in paying a creditor would reduce the debt by 20 percent. The salary losses of public servants themselves resulted in gains for the state. Inflation eroded court-ordered compensations the state had to pay over a six-month period. Today, the state must pay in full these compensations. These things have a brutal effect on the public budget.

[Bressan] Was the inflation drop a bad deal for the states?

[Covas] There has been a benefit in the sense that the inflation drop has been instrumental in stabilizing revenues. You can now formulate realistic, multiyear

budgets. Yet, the inflationary gain is now over and you have to deal with a number of circumstances.

[Bressan] To what extent do state administrations depend on the administrative and social security reform bills?

[Covas] Today, retired workers account for 30 percent of the state payroll and this percentage is likely to rise. We should have a social security system focused on dealing with this problem. In addition to having our hands tied over reducing the number of public servants on active duty because of the job security guarantee, we also have a virtually stable number of retired workers that causes our expenses to increase.

[Bressan] What could you do now while you await approval of the constitutional reforms?

[Covas] First, we have laws to comply with. One of them provides that no state can spend in salaries more than 60 percent of its revenues. Yet, we cannot comply with this law because we cannot reduce salaries and have a limited degree of flexibility. Thus, we need to use every alternative. In our case, we have encouraged public servants to resign. The voluntary resignation program has not been very successful: Only 3,000 employees joined the program. We have also taken other actions. In accordance with the law, we evaluated those servants who were completing two years of service and dismissed those who did not perform well.

[Bressan] Is job security a major problem?

[Covas] Although ending job security is important, it will be paramount to fight privileges. The most significant article of the reform is that one setting the president's salary as the ceiling for all public servants. Privileges cause payroll expenses to rise considerably, while many servants are still earning meager salaries. There is only one cake and we must distribute it better.

[Bressan] Without the constitutional reforms, will it be possible to meet the requirement to limit salary expenses to 60 percent of the state revenues by 1997?

[Covas] We will try to work toward achieving the 60 percent goal, but I admit that we are having major operational difficulties.

[Bressan] If you fail to do that, would you take any action similar to that taken by the Santa Catarina governor, who ordered pay cuts for public servants?

[Covas] I do not believe any other Brazilian state could have taken tougher austerity measures than those taken by Sao Paulo. The total number of servants dismissed by the state and Banespa stands at nearly 70,000. This represents R96 million in savings monthly; that is, the equivalent to the complete payroll for one month.

[Bressan] What will you do if you cannot meet the 60 percent requirement?

[Covas] I hope the administrative reform will create additional conditions that will enable us to meet the above requirement. If not, we must discuss how to comply with two laws simultaneously.

[Bressan] How would you like your administration to be remembered?

[Covas] I don't know. I am not worried building any image. I had to deal with a very unfavorable situation that required courage to do unpleasant duties.

[Bressan] Would that have any bearing on this year's municipal election?

[Covas] If my administration's image is good, it should certainly help my party's candidates. If it is bad, it will hurt them. I am complying with what would appear to be the obligation of any administration under these circumstances. If this helps or hurts the image of my administration, I wouldn't know.

[Bressan] Could a solution to the Banespa case be instrumental in helping you regain prestige?

[Covas] I do not know if the Banespa case will do that. The public are divided over the issue. I have even read reports that the Banespa case would put me in line for presidential succession, as though this were a decisive issue. I believe it is not.

[Bressan] As governor of the main Brazilian state, you are a potential candidate for the presidential succession, or would you rather try to seek your reelection?

[Covas] I am neither a candidate for president of the Republic nor am I planning to seek my reelection. I was elected for a four-year term and I intend to exercise the duties of my office until the last day. After leaving office, I could devote my time to my party.

[Bressan] If your administration is successful, wouldn't you seek another term?

[Covas] If my party chooses to favor reelection, I am not going to make a big fuss about it. Yet, I am very afraid of the reelection process. I believe will become a witch-hunt. If government leaders are already accusing each other of favoring this or that candidate, can you imagine what it would be like if incumbent officials sought reelection?

[Bressan] For instance...

[Covas] A year before the election, for instance, it would not be possible to give a penny to a municipal district because this would be construed as use of the

state machinery to favor the incumbent mayor. Can you imagine the governor using a helicopter to dedicate housing projects for low income groups? Instead of discussing ideas, the election could become just a wave of requests for use of the state apparatus to benefit the respective candidates.

[Bressan] Reelection works in the United States.

[Covas] The U.S. term in office is not a four-year term with reelection. It is an eight-year term with the possibility of being cut in half. Only Jimmy Carter and George Bush had four-year terms. We could talk about a longer term.

[Bressan] If Fernando Henrique Cardoso were unable to seek reelection, you would stand a greater chance to run for president.

[Covas] (laughing) I am not a candidate.

Article Views Activities of Brazil's Economic Committees

PY0102212696 *Sao Paulo O ESTADO DE SAO PAULO in Portuguese* 28 Jan 96 p A6

[Article by Marcos Magalhaes]

[FBIS Translated Text] Brasilia — Having increased productivity throughout 1995, the congressional technical committees will tend to grow in importance in determining the orientation of the economy this year. This is one of the main conclusions of an analysis by the Brasilia based Brazilian Institute of Political Studies (IBEP) on the performance of the legislative branch during the first year of President Fernando Henrique Cardoso's administration.

The two most outstanding Chamber of Deputies committees last year were those that worked directly on economic subjects. The number of Economy, Industry, and Commerce Committee meetings increased by 956 percent in relation with 1994, while the number of meetings of the Finances and Taxing Committee increased by 613 percent. The increase in productivity of the Economic Committee is even more impressive: 6,100 percent. Having only discussed one bill in 1994, it analyzed 62 in 1995.

The IBEP report foresees "the importance of committees that discuss economic subjects will increase in 1996. These committees are rapidly becoming decisive forums in Congress."

The study concludes that not even the municipal elections in October will restrain the pace of the legislative activity. The IBEP states: "The committees linked to the structural reforms process will also assume a preponderant role."

The increased importance of the Senate and lower house permanent committees contrasts with the diminishing political weight of the Congressional Investigative Committees (CPI) which in the past few years led to the discovery of irregularities in the Joint Budget Committee and to the impeachment of former President Fernando Collor. Only four CPI's were formed last year, compared with the average six per year created between 1991 and 1994.

The government sought to prevent the creation of a CPI to investigate relations between the Central Bank and the financing system as proposed by opposition parties after the intervention of the Economic Bank.

Behind that initiative was a concern that an eventual CPI would distract congressmen from the constitutional reform proposals sent by the executive branch, which are considered a priority for the administration.

Less involved with investigations and more concentrated on legislating, Congress as a whole demonstrated greater efficiency in 1995. The lower house approved 516 bills in 1995 compared with 324 per year during the 1991-1994 period. The senate sent 117 bills for the president to sanction in 1995, 74 bills in 1994, and only 46 in 1993.

The IBEP report states that most important event in 1995 was the promulgation of five constitutional amendments to allow the opening of the economy. The regulation of those proposals, which foresee the breaking of monopolies on oil and telecommunications and the opening of mining to foreign capital, will certainly help to guarantee the growing importance of economic committees in Congress.

As of last year, but mostly this year, the tax reform is an issue that most moved the economic committees and helped to increase their activities. And let us not forget those debates on the Fiscal Stabilization Fund, the Federal budget, or the creation of the Temporary Contribution on Financial Movements, which regularly bought Planning Minister Jose Serra and Finance Minister Pedro Malan to Congress.

Roundup of Brazilian Economic Reports Through 30 Jan

PY3101211096

[FBIS Report] The following is a compilation of reports on economic activities in Brazil monitored through 30 January:

BASIC LEADING INDICATORS

Market Price Index Increases — The Getulio Vargas Foundation, IGV, has reported that the General Market

Price Index, IGP-M, stood at 1.73 percent in January compared to 0.71 percent in December. Thus, there was a significant inflation jump in January, provoked primarily by a 4.01 percent increase in the Wholesale Price Index (IPA) of consumer goods. The IPA index, which has been a major factor in the IGP-M index, accounting for 60 percent of its variation, increased from 0.20 percent in December to 1.49 percent in January. The Consumer Price Index (IPC), which accounts for 30 percent of the IGP-M index, rose from 1.46 percent in December to 2.49 percent in January. A major factor in the IPC increase has been education and recreation, which increased by 8.05 percent. Food, which increased by 3.05 percent, has also been a major factor. Housing costs, which increased by 1.07 percent in December, stood at 0.67 percent in January. Prices to calculate the IGP-M index were collected from 21 December to 20 January. (Sao Paulo AGENCIA ESTADO in Portuguese 2147 GMT 30 Jan 96)

FINANCIAL OPERATIONS

Software Firms Report Losses — In accordance with a survey conducted by the Brazilian Association of Software Firms, ABES, Brazilian manufacturers of software programs lost \$800 million in 1995 as a result of the action of software pirates. The piracy rate stood at 78 percent; that is, four out of every five software copies made in Brazil are illegal. ABES, which plans to serve notices on 200 suspected violators by February, has announced that it plans to double the amount of legal software copies on the market by the end of 1997. ABES noted, however, that the losses in 1995 were lower than the initial estimate of \$1 billion. (Sao Paulo AGENCIA ESTADO in Portuguese 2102 GMT 29 Jan 96)

Rising Dollar Inflow Noted — The amount of incoming dollars in January was \$2.5 billion greater than that of outgoing dollars on the commercial exchange market, which deals with export and import operations. After deducting the \$700 million taken out of the country by Brazilian tourists, the net dollar inflow stands at \$1.8 billion this month. If the dollar inflow keeps this pace, it would cause the Brazilian domestic debt in bonds to increase by 27 percent in 1996. To absorb the incoming dollars, the Central Bank, BC, issues real notes and, in order to reduce the amount of reals in circulation, it sells bonds. Gustavo Franco, BC director for international affairs, acknowledged on 26 January that new instruments "would be developed," in addition to the 7 percent Financial Operations Tax, to discourage the dollar inflow. Voicing disagreement with Franco, economist Joaquim Eloi Cirne de Toledo — of the Nossa Caixa-Nosso Banco Bank — says that high interest rates paid in Brazil account for the high dollar

inflow. Cirne de Toledo says: "Do you want to reduce the dollar inflow? Lower interest rates. Period." (Sao Paulo FOLHA DE SAO PAULO in Portuguese 29 Jan 96 Section 2 p 4)

Cellulose Firm Set Up in Maranhao — The Maranhao Cellulose Company, Inc., Celmar, is looking for new partners for its \$1 billion project that entails reforestation and production of pulp in the area of Imperatriz, Maranhao State. The Celmar cellulose factory is expected to manufacture 500,000 metric tons of paper per year starting in 2002. Celmar's shareholders are Ripasa Cellulose and Paper Co. Inc., 42.5 percent; Rio Doce Valley Company, 42.5 percent; and the Japanese Nissho Iwai trading company, 15 percent. Production will be primarily intended for export. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Jan 96 p B13)

Mining Holding Company To Be Created — The Brazilian Nonferrous Mining Company (Companhia Brasileira de Minerais Nao-Ferrosos) is a holding company that will control four large mining companies: Eluma, which manufactures laminated copper sheets, and whose sales volume totaled \$230 million in 1995; Paraibuna Metals, which exploits zinc, and whose sales volume totaled nearly \$100 million in 1995; Paranapanema, which is the world's largest tin producer and the 11th largest mining company in Brazil, and whose sales volume totaled \$120 million in 1995; and Caraiba, which manufactures copper, and whose sales volume totaled \$500 million in 1995. Shareholders of the new holding company, which will be based in Sao Paulo, include pension funds such as Previ, Petros of the Brazilian Petroleum Corporation, Aeris of airline companies, Sistel of the Brazilian Telecommunications Inc., Valia of the Rio Doce Valley Company (CVRD), and Telos of the Brazilian Telecommunications Company. The CVRD, the National Iron and Steel Company, the Anglo American multinational company, and the National Bank for Economic and Social Development will also be shareholders of the new company, which will be officially created as soon as the takeover deals are completed. The pension funds expect to complete the deal by mid-February. (Rio de Janeiro JORNAL DO BRASIL in Portuguese 26 Jan 96 p 17)

FISCAL, MONETARY ISSUES

Funds Raised Through Commercial Papers — Some Brazilian banks raised \$1.2 billion through the U.S. market of commercial papers to finance foreign trade operations in 1995. Banks like Bradesco, Real, Boavista, and Unibanco made large issuances of commercial papers. Petrobras has thus far been the only company to issue commercial papers. The Bank of America, which is the only one to have established U.S. commercial paper operations in Brazil, sold \$2.2 billion in commercial

papers in Brazil in 1995. (Sao Paulo GAZETA MERCANTIL in Portuguese 26 Jan 96 p A1)

Survey on Banks' Profits — Preliminary figures of a survey conducted by Austin Asis Consultants on the 1995 balance sheets of 11 banks show that Brazilian banks have adjusted well to operating in a low inflation environment. The report notes that the average net profit by these banks dropped from \$866.9 million in 1994 to \$851.7 million in 1995; that is, a 1.7 percent drop. Of the 11 banks — one of them is the Brazilian Discount Bank, Bradesco — four had higher profits and seven had lower profits in 1995. Bradesco's profits rose from \$525 million in 1994 to \$555.1 million in 1995. The report also shows that the 11 banks made larger investments in 1995. All told, their investments increased from \$3.44 billion in 1994 to \$4.3 billion in 1995. (Sao Paulo AGENCIA ESTADO in Portuguese 2229 GMT 30 Jan 96)

TRADE ISSUES

Oil Imports From Argentina To Increase — Joel Mendes Renno, president of the Brazilian Petroleum Corporation, Petrobras, has announced in Buenos Aires that Petrobras is going to increase its imports of oil and byproducts from Argentina from \$850 million in 1995 to \$1.1 billion in 1996. Mendes Renno also said that Brazil, Argentina, and Uruguay would jointly prospect for oil on their Atlantic coast; that is, from the Pelotas Basin — which is located between the states of Santa Catarina and Rio Grande do Sul — to the Malvinas Islands. Petrobras and Argentina's Government Oil Deposits, YPF, are negotiating the installation of a cooking gas plant in the Argentine province of Neuquen and of joint gas distribution plants both in Brazil in Argentina. (Rio de Janeiro O GLOBO in Portuguese 30 Jan 96 p 25)

Medicine Imports From India Studied — Brazilian businessman Roberto Nobrega has been put in charge of a subcommittee of the Brazil-India Chamber of Commerce to study the possibility of importing medicines like Bactrim and Antak from India. The prices of these medicines are nearly five times lower in India than in Brazil. Foreign Minister Luiz Felipe Lampreia is going to look into the legal aspect of these negotiations. He said: "We are going to study it carefully, keeping in mind the patent issue." Brazilian businessmen are enthused about the prospect of importing these medicines to bring down prices in Brazil. Nobrega said: "Foreign laboratories may start screaming, but the Brazilian people would spend less on medicines." (Rio de Janeiro O GLOBO in Portuguese 29 Jan 96 p 5)

Mercosur List To Expire — The Dallari list is a special list of products prepared by Brazil which do not have

to conform to the Common External Tariff, CET, of Mercosur, Common Market of the South. Argentina, Paraguay, and Uruguay had acquiesced to the Dallari List, which, after being in force for one year, will expire on 28 April. Those products on the Dallari List, which had their import duties increased or reduced to suit Brazilian domestic supply needs, will now have to conform to the CET rates, which range from zero to 20 percent. A Finance Ministry adviser said that Brazil cannot fail to conform to the CET because its failure may be construed as a clear form of protectionism by its Mercosur partners. Thus, the Brazilian administration will be deprived of another weapon to stem imports. In view of this, Itamaraty and Finance Ministry officials are scheduled to begin, in Buenos Aires on 1 February, negotiations with their Mercosur counterparts to obtain an extension of the 150-item Dallari List. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Jan 96 p B7)

WTO Waiver on Car Imports — The Brazilian Government yesterday informed the WTO that it plans to submit a petition for a waiver to continue to grant import tax exemptions to auto manufacturers based in Brazil. This move is just a maneuver to buy time and to secure support for the Brazilian position because the government did not say when or how it is going to submit its request. Only Japan and, in particular, South Korea, opposed the Brazilian request. Argentine Ambassador Juan Carlos Sanchez Arnau conveyed his government's support for the Brazilian petition. (Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Jan 96 p B7)

Chile

Chinese Vice Premier Praises Chilean Businessmen
PY0102214496 Santiago EL MERCURIO in Spanish
1 Feb 96 p B14

[FBIS Translated Text] Chinese Vice Premier Zhu Rongji, who is making an official visit to Chile, praised the work of the Chilean Foundation for the Pacific [Fundacion Chilena del Pacifico] and Chilean businessmen for promoting Asia-Pacific ties and Sino-Chilean cooperation ties.

During a breakfast meeting sponsored by the Chilean Foundation for the Pacific, Zhu Rongji, the top-ranking Chinese economic official, said his visit to Chile seeks to develop Sino-Chilean commercial ties.

Zhu Rongji said Sino-Chilean ties are excellent but there is a need for further mutual knowledge on economic and commercial issues.

He added that the volume of bilateral trade in 1995 totaled \$640 million, a 36.8-percent increase on 1994,

which means Chile is the third most important Chinese commercial partner in Latin America.

Zhu Rongji said: "Bilateral trade must increase because there is a great level of complementation between the two economies and an enormous trade potential."

He said: "The Chinese economy must have Chilean products like copper, saltpeter, fishmeal, and cellulose."

Zhu Rongji added that China is cutting custom tariffs on imports. An important reduction in custom tariffs (a cut of 36 percent on tariffs which last year averaged 35.9 percent) will be enforced as of 1 April. He also said there are plans to continue cutting custom tariffs until they reach levels similar to those of developing countries. It is also estimated that exchange rate levels will be more flexible as of 1996.

Commenting on his meeting with Economy Minister Alvaro Garcia, Zhu Rongji said that during the meeting Garcia told him that Chile hopes China will lower custom tariffs on several products on a list that was handed to him.

During the breakfast meeting, which was headed by Edgardo Boeninger, chairman of the Foundation for the Pacific, Zhu Rongji excelled for his cordiality and good humor.

Also present at the breakfast meeting were Chilean personalities, Chinese and Chilean Government officials, politicians, businessmen and academicians.

Chilean Official Denies Deadline For Opposition Revamp

PY2301012796 Santiago EL MERCURIO in Spanish
22 Jan 96 p C3

[FBIS Translated Excerpt] Deputy Alberto Cardemil, vice chairman of the National Renewal Party (RN), yesterday denied the existence of "procedural deadlines" for the reorganization of the opposition sector. Cardemil thus responded to the ultimatum given by the Independent Democratic Union (UDI) to reject the constitutional reforms in order to reestablish the opposition alliance.

Cardemil also asserted that such comments hardly contribute to such delicate issues as amendment of the Constitution, noting that "the fact is that it does not have sufficient votes in the Senate for its approval." [passage omitted]

In Cardemil's opinion, it is a fact that Frei's proposal regarding constitutional reforms does not have enough votes to be approved in the Senate. Therefore, he said, his party is making an internal effort on the subject in order to — based on this fact and out of respect for the partisan decisions — draft its own proposal that will be

"different and generated from within the party, so that it may enjoy legislative support." [passage omitted]

Chilean Official Sees Convergence of GDP, Expenditures

PY2901153696 Santiago ESTRATEGIA in Spanish
25 Jan 96 p 4

[FBIS Translated Text] Finance Minister Eduardo Aninat has a vision — which is quite in line with private expectations — that the expected convergence between the growing GDP and the increase in expenditures will take place during the first six or seven months of this year. He said: "I am optimistic."

Using a term coined by his predecessor Alejandro Foxley, the finance minister for the first time yesterday spoke of a predicted "soft landing" by the middle of the year; that is, that the contractive monetary policy, promoted by the Central Bank with a tax increase in early December last year, would be reflected in a deceleration of the expansion pace of the economy and, concurrently, in a moderation in the increase of domestic demand.

By the middle of the year the worrisome and unsustainable gap between the two variables should tend to disappear — after a time in 1995 when they were about 5 percent apart — given the estimates that the GDP reportedly increased above 8 percent compared with an increase in expenditures of 13 percent.

This should finally prevent pressure on domestic prices and should support the achievement of an inflation goal of 6.5 percent predicted for this year which the finance minister hopes would not be jeopardized despite the increase recorded in January. He said the task of reducing inflation will be attained during the first nine or 10 months of the year, and thus, we must remain watchful.

In its biweekly report, the Central Bank already stressed the need to verify a moderation in levels of activity and expenditures as of this first quarter, because they are not sustainable.

Neither the minister nor the private sector believe in a lesser challenge to reduce inflation from 8.2 percent — the lowest over the past 35 years — to 6.5 percent. For this reason many people have proposed the need for measures beyond a cut in interest rates to achieve that objective, including de-indexation.

Aninat also stressed the "significant" \$16 billion worth of exports during 1995, under circumstances that, according to his plan, are expected to reach \$20 billion by 2000.

He said: "This is unprecedented. We have never achieved such amount, volume, prices, or diversification in our exports." He added that this very clearly "contradicts the pessimism over exports that circulated in some sectors in 1994 and 1995."

Those figures, which resulted in a trade surplus of \$1.385 billion — 91 percent higher than in 1994 — "are very solid."

He concluded that the Central Bank statistics "give a clean and solid platform to begin well the year 1996, but of course the challenge prevails."

Chilean Official: No 'Discomfort' Between Ministries

PY0202023496 Santiago EL MERCURIO in Spanish
1 Feb 96 p C2

[FBIS Translated Excerpt] War Under Secretary Jorge Burgos has categorically denied an alleged discomfort between the Defense and Foreign Ministries as a result of the demands reportedly presented by organizations of several countries over the appointment of military attaches linked to human rights violations proceedings.

According to press reports, the discomfort reportedly began with the appointment of Colonel Pablo Belmar, who was involved in the Soria case, as military attaché to Ecuador. The appointment was reportedly cancelled in view of the demand made by that country and by the alleged resignation threat of Chilean Ambassador to Ecuador Roberto Pizarro, which is a report that was also denied.

According to the same press sources, these problems also occurred in El Salvador and Canada with the appointments of Brigadier George Willeke (involved in the Prats case) and Miguel Poklepovic, current Chilean consul in Montreal, who is linked with the intelligence services of the military government. This is a report that has not been confirmed either. [passage omitted]

Chile's Army Ordnance Concludes Resource Program

PY2501015896 Santiago EL MERCURIO in Spanish
22 Jan 96 p C4

[FBIS Translated Text] The Army Ordnance (FAMAE) has concluded a program to rationalize resources in which it has been engulfed since 1991 with the purpose of enhancing its national and international competitiveness.

Among the measures adopted is that of creating branch offices — a total of eight — which have assumed the tasks not linked to its main role, that of defense. A number of other projects were also implemented

to include management and working methods that are more in line with the current times, which were fully achieved.

FAMAE Director, Brigadier General Luis Iracabal, has said: "We have reduced expenditures, that is, we have traded quantity for quality, and we have put more emphasis on the development of more modern systems, which have resulted in an increase in our number of engineers and in the reduction of our own manpower, which is now subcontracted."

Gen. Iracabal explained that within this framework of the program to rationalize resources, 150 employees left the factory in December 1995; with their departure, we have reached an approximate staff level in the area of defense of 450 employees in a company which, in the 1970's, had more than 4,000.

"Most of those people belonged to Capredena [expansion unknown] and had more than 20 years of service, and so they left with a pension. Fortunately, because FAMAE is a "good school" in the area of metalworking industry, many of them were quickly hired again by companies of the area," Iracabal said.

He added that FAMAE employees are wanted in the civilian market because, in addition to their professional expertise, they have a high level of experience and the discipline of military training, and a high sense of responsibility which is achieved through the continuous work on defense matters, matters that are in themselves restricted.

This reduction of personnel, far from affecting the effectiveness of the military company which is subordinate to the Defense Ministry, has increased it. According to its director, the construction plans of the "Rayo" rocket, of the anti-aircraft defense system "Lince," of the Mowak tanks, of the computerized tactical training system [sistema de entrenamiento tactico computacional] (Setac), and of smaller weapons systems continue with full success and with concrete export possibilities.

"The international defense market is depressed. What happens is that with the liberalization of companies of the former USSR and the reduction of NATO, there has been oversupply of systems at very low costs. Nevertheless, FAMAE is opening markets on the basis of our well-earned prestige," Iracabal said.

The plans for FAMAE's entrepreneurial and technological updating received a definite impetus in 1993 when an inter-ministerial government-army committee was established to study the issue.

The conclusions of this committee focused on the need to decentralize the company and to resume production only of civilian goods and services for defense.

Famae has created eight branch offices which have taken over all its civilian products and services and focused its efforts on improving its quality in manufacturing defense elements.

Defense Ministry sources who were consulted reported that the process of change has been successful. They added that in March, approximately, a study will be carried out of the profitability of all the defense companies, among them FAMAe, Enaer [National Aeronautical Enterprise], and Asmar [Navy Shipyards and Ordnance], to determine their deficiencies and virtues.

Chilean Corfo, Energy Commission Reorganization Started

*PY2901143196 Santiago EL MERCURIO in Spanish
22 Jan 96 pp A1, A12*

[FBIS Translated Excerpt] The Production Development Corporation (Corfo) and the National Energy Commission [CNE] have started to eliminate their ministerial status and, thus, improve domestic performance, efficiency, and effectiveness.

Minister Felipe Sandoval, Corfo executive vice president, and Minister Alejandro Jadresic, CNE president, told EL MERCURIO that the reorganization plan falls within the framework of a program outlined by the president of the Republic to reduce the number of ministries within his cabinet.

Ten days ago — on 12 January — President Eduardo Frei told the country he had given order to implement the reorganization of the mentioned entities during the first half of this year. The decision seeks to streamline these services and cut the number of ministries.

Felipe Sandoval said that eliminating Corfo's ministerial status had been suggested by the corporation some time ago and that it was designed to improve Corfo's performance in various areas.

Alejandro Jadresic played down the fact that the CNE would be stripped of its ministerial status. He said the important thing is to enhance its efficiency and effectiveness for the sake of the community.

Regarding Corfo, Sandoval said the changes involve its division because one structure to handle the promotion and administration of its subsidiaries hinders the task of promoting production. A progressive division of these two areas will take place.

Sandoval stated: "This measure will be implemented to give the subsidiaries their own institutional status

and, on the other hand, to grant them autonomous administrations that respond to their areas and increase efficiency." [passage omitted]

Minister Sandoval said the reorganization implies, among other things, a reduction of personnel in certain areas as well as an increase in the budget approved by Congress. [passage omitted]

Jadresic stated that reducing the number of ministries to improve the administration is not the key issue of the state modernization process. In his opinion the modernization process involves "ensuring the public sector discharges its duties properly."

He said the CNE is internally assessing aspects that can be improved in the energy sector's administration with the purpose of contributing to improve public sector services. [passage omitted]

Chile's Coal Enterprise: Financial Autonomy by 1998

*PY2601122996 Santiago EL MERCURIO in Spanish
21 Jan 96 p C5*

[FBIS Translated Excerpt] There is a confirmed reserve of 1.1 million metric tons of coal in the Lota mine of the National Coal Enterprise, Enacar, which guarantees that production goals for the coming two years can be fulfilled. It is estimated that a total of 330,000 metric tons of coal will be extracted during 1996 and that the costs will drop by between \$220 to \$120 per metric ton.

This information was disclosed by Enacar Director Luciano Valle, who said that the machines imported to expedite the Lota mine production, worth \$3.5 billion, will become operational by late February.

Valle explained that the plan is to locate exportable reserves amounting to 1.5 million metric tons, which would guarantee the production goals until the year 2000. He added: "By 1998 we hope Enacar will no longer be on the national budget and the positive results will start appearing as the feasibility plan is implemented." [passage omitted]

Colombia

Colombian Military Heads To Implement Security Strategy

*PA0202022596 Santa Fe de Bogota Inravisión
Television Canal A Network in Spanish
0000 GMT 2 Feb 96*

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] There was a special Security Council meeting at Narino Palace today. The objective

was to deliver an intelligence report on the strategy that will be implemented by the Armed Forces and police in the entire country. As was to be expected, the report is totally confidential, but we were able to find out that it sets the strategies to confront the guerrillas, drug traffickers, common criminals, and paramilitary personnel. The report was prepared by all generals and commanders of the three military corps and went into effect today.

Colombian Prosecutor Not To Endorse Samper Trial

PA0202031896 *Santa Fe de Bogota Inrvasion*
Television Cadena 1 in Spanish 1730 GMT 1 Feb 96

[From the "National Newscast"]

[FBIS Translated Text] The prosecutor general was clear in answering the president and stated that he will not go to Congress to endorse the trial against the president and is already preparing evidence to present the corresponding charges at the Accusations Committee, independently from the investigation that is to be reopened at the request of the head of state.

[Begin Prosecutor General Valdivieso recording] The Prosecutor General's Office, in case it so deems it — other people, even individuals, can also do this — will send the documents or present the corresponding charges on alleged actions, which could involve the president of the Republic, to the competent body that is, precisely, to the Chamber of Representatives, the Congress of the Republic. [end recording]

In direct answer to President Samper, Prosecutor General Valdivieso stated that his institution is not making a spectacle of justice.

[Begin Valdivieso recording] We do not feel that we have been alluded to. The Prosecutor General's Office has always taken this position. With regards to this issue, well, I have repeatedly acted in the same manner and do not consider it necessary to start an argument over it. We are sure we have done our job according to the law and have respected the due process. The important thing is to advance. [end recording]

The chief of the top investigation organization in the country asserted, on another issue, that his office is the one that has to further the process against former Comptroller Manuel Francisco Becerra.

Colombian Prosecutor on Evidence in Samper Case

PA0202022496 *Santa Fe de Bogota Inrvasion*
Television Canal A Network in Spanish
0000 GMT 2 Feb 96

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] A few minutes ago, Prosecutor General Alfonso Valdivieso granted a news conference to international reporters. In this news conference, he stated that more evidence is being evaluated in President Samper's case, in addition to the evidence submitted by former Defense Minister Fernando Botero and Santiago Medina. The following are unedited images.

[Begin Valdivieso recording] Regarding your comments, we must admit that there is a certain distrust. The Accusations Committee and Congress, in general, do not have much credibility, and this is part of the problem being faced by Colombia. There is not enough credibility. On the contrary, these bodies have very little credibility. This is one of our tragedies, and one of our realities, but at the same time, its extent is the same. In other words, this is a reality, that the Committee is the instrument; it is the mechanism.

If a formal investigation is opened, the proceedings could conclude with an accusation being filed by the Chamber of Representatives in the Senate. Another possibility is simply that the case be precluded. This second option certainly contemplates a very complex circumstance: It would entail a formal and definitive prospect. It would be definitive because this is the logic behind the cases as they progress. [end recording]

Colombian Prosecutor Replies to Samper Speech

PA0202043196 *Santa Fe de Bogota Inrvasion*
Television Canal A Network in Spanish
0230 GMT 2 Feb 96

[Report by Ilse Milena Borrero; from the "QAP News" newscast]

[FBIS Translated Text] Prosecutor General Alfonso Valdivieso replied to President Ernesto Samper's speech to Congress, even though he was careful to stay away from controversies.

[Borrero] Prosecutor General Alfonso Valdivieso said today that as soon as the new evidence against President Samper is evaluated, a new complaint will be sent to the Accusations Committee of the Chamber of Representatives. Regarding President Samper's petition that Valdivieso himself be the one to endorse his case to the Committee, Valdivieso replied that this matter does not fall under his jurisdiction.

[Begin Valdivieso recording] The investigation of President Samper does not fall under the jurisdiction of the Prosecutor General's Office; therefore, the scope of my endorsement would not be to change that situation. [end recording]

[Borrero] He also referred to the request made by former Comptroller General Manuel Francisco Becerra's defense attorney, who asked that the Supreme Court, and not the Prosecutor General's Office, be assigned to investigate his case as he is allegedly protected by immunity.

[Begin Valdivieso recording] As far I as understand, this matter falls under the jurisdiction of the Prosecutor General's Office. [end recording]

[Borrero] In light of the president's statement that justice has become a spectacle, Valdivieso said he did not feel this applied to him.

Colombian Senators: 'Nothing To Discuss' in Sessions

PA0202021896 Santa Fe de Bogota Inravisión
Television Canal A Network in Spanish
0000 GMT 2 Feb 96

[Report by Orlando Guerrero; from the "Seven O'Clock Newscast"; passages within quotation marks are recorded]

[FBIS Translated Text] The Senate finally reached an agreement on one thing. Liberals, Conservatives, and Independents will not work.

[Senate President Julio Cesar Guerrero Tulena] "I would not say the special sessions have failed, but we have nothing to discuss."

The representatives of all political parties and groups with a seat in the Senate reached this agreement. After discussing behind closed doors the pros and cons of President Ernesto Samper's decision to convene special sessions, they simply decided they cannot meet because the Chamber of Representatives has sent them nothing.

[Independent Senator Jairo Clopatofsky] "These were special sessions that should not have been convened in the first place."

Congressmen agreed to ask the Chamber of Representatives for the lifting of the writ of prohibition filed by the Accusations Committee in the case of President Samper. The congressmen also asked there not be confidentiality of proceedings in the investigation that is being resumed.

[Conservative Senator Eduardo Pizano] "This means that if the president, former Minister Fernando Botero,

and Mrs. Maria Izquierdo are questioned, we want it to take place before the eyes of the country."

Other political groups asked that the members of the Accusations Committee be totally or partially changed.

[Samuel Moreno, member of Alliance for Colombia] "We believe sufficient and necessary guarantees must be given to independent groups to achieve a greater honesty in the process."

For the time being then, the senators will not work. They will meet on Tuesday, 6 February, to discuss with the government why they were summoned.

Another one of the obstacles in Congress today has to do with the political composition of the Accusations Committee. There is an agreement in principle to remove two Liberals and replace them with a Conservative and an independent.

A controversy has emerged. Liberals want to maintain their share of power in the Accusations Committee and so do the Conservatives. According to various congressmen, it is a healthy measure to include an independent and a Conservative congressman in the Accusations Commission. The commission is currently composed of 11 Liberals and four Conservatives.

[Representative Dario Martinez] "The democratic arithmetic gives us nine members for the Liberal Party, five for the Conservative Party, and one for the independent groups."

The proposal has divided opinions, however.

[Martha Daniels, member of the Accusations Committee] "No member of the Accusations Committee is well-established in his post because we have been the victims of many persecutions and threats on our lives."

[Jorge Mantilla, member of the Accusations Committee] "The committee is reorganized, and more oxygen is pumped into it."

It will only be when the full session of the Chamber of Representatives meets that we will know who is right.

Colombia's Senators Comment On Congress Recess

PA0202042696 Santa Fe de Bogota Inravisión
Television Canal A Network in Spanish
0230 GMT 2 Feb 96

[From the "QAP News" newscast]

[FBIS Translated Text] The special sessions convened by the president for his political debate gave the first big result today: the Senate went into recess.

Two days after it was summoned into special sessions, the Senate, fearing prejudgment, decided to recess until the Chamber decides whether or not it will accuse President Samper.

[Begin recording] [Senator Julio Guerra Tulena] We have nothing to discuss at the Senate of the Republic at this time.

[Senator Jaime Arias] I believe the plenary sessions of the Senate and the Chamber are absolutely senseless. They have no purpose or methodology. They are a distraction.

[Senator Eduardo Pizano] Any opinion made prior to that trial will lead us to an impediment. [end recording]

The Conservatives will propose to the president that he dictate an internal disturbance decree so the confidentiality of proceedings can be lifted in the trial against him.

[Begin Senator Favio Valencio recording] Every one would then know the discussions, allegations, evidence, and counter-evidence. [end recording]

The senators declared they would be totally available on the day the Chamber transfers the case.

Colombia's Political Situation Turns Marches Into 'Fad'

PA0202045396 Santa Fe de Bogota Inrvasion
Television Canal A Network in Spanish
0230 GMT 2 Feb 96

[From the "QAP News" newscast]

[FBIS Translated Text] The political chaos in the country has turned marches into a fad. Six marches are scheduled to be held in Bogota tomorrow. Five union organizations will hold marches at Bolivar Plaza and the Women For Truth organization will hold one at the National Park. This avalanche of protests has caused the Bogota Mayor's Office to take special measures.

[Begin Bogota Mayor Maria Eugenia Avendano recording] We are not allowing, for example, marches on public streets currently. What we have authorized are public gatherings. [end recording]

Security measures will be reinforced, even though no violent actions occurred in the 15 marches that were held over the past two weeks. According to National Police regulations, this institution is responsible for public order and authorized to dissolve any march.

[Begin Bogota Metropolitan Police Commander General Luis Ernesto Gilibert recording] To ensure that there will be order, peace, and respect in the march. [end recording]

To hold a march, a request has to be presented at the Bogota Government Secretariat 48 hours before the event. The request must specify the route, day, time, and has to be signed by at least three people.

Colombia: Columnist Says Samper Should Leave Office

96SM0073A Santa Fe de Bogota EL TIEMPO
in Spanish 30 Jan 96

[Commentary by Hernando Gomez Buendia: "Yes, There Is a Way Out (The Use of Reason)"; received via Internet]

[FBIS Translated Text] There are four things that are clear in this "mare magnum" [mess]: that Samper must leave, that he must leave quickly, that it is difficult for him to leave, and that he must leave according to the Constitution.

Obviously, the president's downfall is dangerous and traumatic, but there could be something even worse: the president's staying. And the fact is that such a stay is possible only in two ways: either we remain on the merry-go-round of charges and disqualifying decisions until August 1998: another 30 months lost for Colombia; or Samper wins the referendum at the cost of launching us on a populist adventure, conjuring up the latent "narco-nationalism" that would justify any United States intervention: Colombia left adrift both inside and out.

And if he must leave, it should be quickly, before the two trains that have already taken off and are advancing, shielded by irreconcilable rationales, collide. On one train, there is the evidence, the indignant public opinion, and the international pressure: to them, the issue was the "narco-money," only the prosecutor general is credible, and De la Calle should succeed Samper. Riding on the opposite train are the president, the usual Congress members, and the common people: to them, the issue is one of poor against rich, only the polls can decide, and De la Calle is not trustworthy. One train insists that the problem is moral; the other, that the problem is political. And in such a collision, neither of the two countries can win without crushing the other.

There is, in fact, one apparent area of convergence among all citizens: namely, that there is only one truth, that someone should submit the definitive evidence, and that the justice system should decide. But this is an unadulterated self-deception: first, because in life there is no definitive evidence: the viewpoint of the one judging will always intervene. And second, because the judge with moral authority (the prosecutor general) has no political authority, whereas the judge with political authority (the Congress) lacks moral authority. So, the

solution by way of penal law is (and always has been) complete drivell. Or, in any case, it is of no use for braking trains.

It is not easy for Samper to leave: first, because he still has the means to win the political battle and the penal battle. Both are decided in the Congress (the referendum is approved there, and the president is judged there), and the president retains a thousand restraints on the Congress. Second, and most of all, because Samper would not readily want to leave: presidents do not want to leave, especially when people are shouting at them that leaving is not a political defeat but rather a confession. For the greater good of Colombia, a political and not a penal solution must be found. It is irrational and unfair for the future of a nation to continue to be staked entirely on these tongue-twister penal codes, when everyone knows that any similarity between justice and the verdict of a judge (any judge, any verdict) would be sheer coincidence at the present time.

However, the political solution cannot continue to be caught between Serpa's social demagoguery and the petty revenge of some neo-Liberal: that is only the band that travels in cabooses. The political solution must rank very high among the issues to be negotiated, and must have a very high standing among the negotiators:

Issues: That the president should not insist on the referendum, and should resign from his positio. That he should have all the ethical and legal guarantees to prove to history that he was innocent and that he resigned because he had infinite love for his native land. That he should have the opportunity to express an opinion on the one who can best ensure the continuity of the social program that we Colombians have chosen. And that everything else should be as it is: subordinate.

Negotiators: There is only one group of Colombians with moral and political authority over both trains: the honorable ex-presidents as a whole.

I trust that the suggestion of this humble columnist will seem excessive to every person who reads it. That perhaps would be the proof that it contains something reasonable.

Colombian Businessmen To Lobby U.S. for Certification

PA0102225496 Santa Fe de Bogota Inravisio
Television Canal A Network in Spanish
0000 GMT 1 Feb 96

[Report by Jorge Alfredo Vargas; from the "Seven O'Clock Newscast"]

[FBIS Translated Text] Ambassador to Washington Carlos Lleras de la Fuente today invited economic associations to travel to the United States, on their own account, to lobby against decertification of their products.

Ambassador Lleras de la Fuente met for two hours with the economic associations and requested them to travel to the United States to help lobby to ensure that Colombian certification is not lost.

[Begin De la Fuente recording] I have requested and received their cooperation to support the work the embassy is carrying out in Washington, which will include the travel of one or two missions of Colombian entrepreneurs and business representatives to the United States to meet with administration officials and congressmen. [end recording]

These 15 entrepreneurs will be tasked with explaining to Washington the serious consequences to Colombia if the country loses its certification.

[Begin recording] [Unidentified woman] Certification has a very serious impact on various sectors of the country, especially exporters.

[Jaime Alfredo Cabal, president of the Colombian Popular Association of Industrialists] The productive sector would find itself very hard hit, and obviously the country's employment, and would bring about consequences not only to Colombia, but to Latin America.

[Sabat Pretelt, president of National Federation of Businessmen] We are going to lobby, we are going to send letters, we are going to show the importance of the government's work in the struggle against drug trafficking.

[Cargo Transport Confederation President Eugenio Marulanda] Colombian businessmen will go wherever they have to and do whatever is necessary. [end recording]

While the entrepreneur mission lobbies in North America, another commission will meet with U.S. Ambassador Myles Frechette in Bogota to explain why Colombia deserves to maintain its certification.

Colombia's FARC Chief Arrested in Chigorodo

PA0102163996 Santa Fe de Bogota Inravisión
Television Canal A Network in Spanish
1730 GMT 31 Jan 96

[Report by Oscar Montoya from the "Colombia 12:30" newscast]

[FBIS Translated Text] Troops ascribed to the 17th Army brigade recently arrested Arbey Guzman Palacios. He is considered to be a FARC [Revolutionary Armed Forces of Colombia] chief in Chigorodo. Guzman Palacios, who is known by the alias, El Negro, is charged with being the mastermind behind the massacre that took place in the Carepa municipality on 20 August 1995 in which 18 people were killed in this massacre. Guzman Palacios, who is charged with the crime of rebellion, was arrested at Puerto Amor, Chigorodo municipality.

Colombian Air Force Planes Destroy Twin-Engine Plane

PA0102191096 Santa Fe de Bogota EL TIEMPO
in Spanish 1 Feb 96

[Received via Internet]

[FBIS Translated Text] A twin-engine plane that had flown illegally between Guatemala and Colombia was destroyed by Colombian Air Force fighter planes in a rural area of Cordoba department shortly after the plane entered Colombian airspace.

The plane's presence was detected at about 0100 on Tuesday by the Air Force personnel manning the San Andres radar station. According to the authorities, the plane, which had flown to Guatemala apparently to deliver a load of drugs, re-entered Colombian airspace from the northwest, near the border with Panama. The San Andres radar immediately alerted the Combat Air Command, stationed in Barranquilla, which sent two A-37 planes to go after the suspicious plane.

At about 0130, the Air Force pilots observed the plane on the ground at latitude 8 degrees 6 minutes north and longitude 74 degrees 59 minutes west in a rural zone near Ayapel, 160 miles away from Barranquilla. The plane, which had landed on a clandestine landing strip, was immediately destroyed by the fighter planes to keep it from being used for drug-trafficking operations again. "We have no information as to whether the plane carried money or drugs," Air Force sources said.

Ecuador**Ecuadoran Minister Confirms Wounding of Peruvian Soldiers**

PY0202021296 Quito Voz de Los Andes in Spanish
2300 GMT 1 Feb 96

[FBIS Translated Text] Ecuadoran Defense Minister General Alfonso Alarcon confirmed today that on 27 January Peruvian soldiers invaded Ecuadoran territory, where they stepped on anti-personnel mines that wounded some of them.

Minister Alarcon revealed that the event occurred near the Ecuadoran border detachment Soldado Monge, when four or five Peruvian soldiers stepped on anti-personnel mines, and that two or three of them were wounded.

Alarcon said that the Peruvian soldiers who entered Ecuadoran territory were taken to Lima by the Peruvian Armed Forces. He added that the situation is under the control of the Ecuador-Peru Military Observers Mission, MOMEPE.

The MOMEPE, which is made up of military officers of the guarantor countries, is in charge of enforcing the Itamaraty Peace Declaration signed on 17 February 1995 by Ecuador and Peru after the undeclared war between the two countries.

General Alarcon disclosed this information after reporting on the event to the National Security Council, which met today to study the peace process between Ecuador and Peru and the diplomatic and military negotiations to be held between the two countries this month.

Ecuador: Japan Donates \$4 Million for Food Production

96SM0064A Guayaquil EL TELEGRAFO in Spanish
10 Jan 96 p 2A

[Received via Internet]

[FBIS Translated Text] Quito, 10 January 1996—Minister of Foreign Relations Galo Leoro Franco and Japanese Ambassador Tetsuo Hanawa signed and exchanged diplomatic notes on 8 January, covering a Japanese grant to Ecuador of 400 million yen—about \$4.0 million—for 1996.

The grant was extended under the "Second Kennedy Round" program whose objective is an increase in food production in Ecuador under the "Promotion of Basic Grain Production" program.

The funds provided will be used for the purchase of agricultural machinery by the Ecuadoran Ministry of Agriculture and Livestock.

The Ecuadoran commitment under the project provides that farmers with limited resources will be able to purchase the agricultural machinery at very low prices.

The resources obtained from the sale of the machinery will be deposited in an account in the Banco Nacional de Fomento [National Development Bank] which will be used as a basis for extending special loans to farmers with limited resources in the agricultural sector.

According to the Ecuadoran Ministry of Foreign Affairs, during this fiscal year, which ends on 31 March, Japan has extended grants to Ecuador worth 1,434 million yen.

Ecuador: TVX Gold To Explore for Gold in Pachicutza

96SM0064D Quito HOY in Spanish 24 Jan 96

[Received via Internet]

[FBIS Translated Text] TVX Gold, Inc, a Canadian company, will begin prospecting for gold in the Pachicutza area, located in the Condor Mountain Range, about 60 km south of the city of Loja.

The prospecting program will require an initial investment of \$3.0 million. The exploratory activity is a part of the agreement reached in 1995 between TVX Gold Inc and the Directorate of Army Industries (DINE), the present owner of the concession on this deposit.

Basically, the agreement reached reportedly will make it possible for mining rights to be transferred to the company called Condor Mine S. A., in which TVX reportedly holds 90 percent of the shares and DINE, 10 percent.

Mining companies which carried out prospecting in these Ecuadoran gold deposits found ore with gold contents which would reportedly permit their exploitation by open pit mining.

Ecuador: L.A. Integration Efforts Beyond 2000 Viewed

96SM0061A Guayaquil EL UNIVERSO in Spanish 23 Jan 96 p 7

[Commentary by Miguel Albornoz: "Toward the Year 2000"; received via Internet]

[FBIS Translated Text] The first decade of the 21st century is already proving to be full of commitments that are being undertaken in our America, in the current phase of the irreversible process of integration.

It is enough to look at the encouraging bilateral and group agreements undertaken by the current active partners. All of these steps are taking place and being encouraged within the Latin American Association for

Integration (ALADI), with the goal a Latin American common market, in "a gradual and progressive articulation and convergence of the various projects for integration."

These forward steps range from a trade preference zone, a free trade area, and a customs union, to a common market and perhaps an ideal economic union. Further on, one could think in terms of political consolidation, about which the first president of the IDB, Felipe Herrera, said: "If Latin America wants to make up for lost time in order not to be left behind definitively by history, it must accelerate the tempo of its economic integration, and to do that it must face up to the necessity of political integration."

The dynamic enterprise of Mercosur is already knocking at the door of the first decade of the 21st century, for example in pending cases of special treatment for its "final adaptation to the customs union" which it expects to bring to zero for tariffs on the importation of products from the zone, in January 1999 for Argentina and Brazil, and in January 2000 for Paraguay and Uruguay. The common internal tariff (AEC) of 14 percent would take effect on 1 January 2001 for the two larger countries and on 1 January 2006 for the other two countries.

For its part, the Group of 3, G-3, Colombia, Mexico and Venezuela, is planning on putting into full effect its trilateral commercial arrangement in the year 2005, thanks to an automatic and progressive program of tariff reductions of 10 percent per year, beginning on 1 January 1995. Venezuela and Colombia have 13 years to dismantle their tariffs on automobiles and accessories.

In its turn, Mexico signed a multilateral general framework free trade agreement with the five Central American countries to form a free trade zone by 1 January 1997. The Mexicans would eliminate tariffs over five years and the Central Americans in 10, most of which would take effect during the next decade.

The presidential summit of the Americas, with 34 countries attending, that met in Miami in December 1994, with another meeting planned for May 1996, is already committed to negotiations for reaching a hemisphere-wide free trade area by the year 2005, at the latest.

In addition, negotiations are also progressing for Chile to join NAFTA, which now includes the United States, Canada and Mexico. Other Latin American countries and groups have requested admission and this will certainly be the subject of negotiations in coming years and the next decade. The treaty contemplates the gradual reduction of tariffs within 15 years, by the end of the next decade in 2010.

The relationship between Mercosur [Common Market of the South] and the European Union (EU) based on discussions with EU President Felipe Gonzalez at the Bariloche summit in October 1995, leading to the signing of an understanding in December of that same year, is ostensible proof of the desire to obtain the benefits of tariff reductions, and new and larger markets, for the world struggle against unemployment and for a better standard of living for all people.

All of this and much more heralds the spirited activity of the countries in the Americas and their sub-regional groupings to consolidate during the first decade of the 21st century the initiatives begun in the current. [sentence as published]

Ecuador: Negative Expectations for Export Sector in 1996

96SM0064C Quito HOY in Spanish 1 Jan 96
Economic Section p 5

[Interview with FEDEXPOR President Juan Jose Pons Arizaga; date and place not given; first three paragraphs are editorial introduction]

[FBIS Translated Text] Guayaquil—The prospects for the export sector in 1996 are very negative. This was stated by Juan Jose Pons Arizaga, the director of the Ecuadorian Federation of Exporters [FEDEXPOR], when he evaluated Ecuadorian exports during 1995.

In general, the total value of exports increased from \$3.843 billion in all of 1994 to almost \$4.0 billion in all of 1995, according to a statement by Minister of Industry Jose Vicente Maldonado.

In this connection Pons emphasized that it is true that the total value of exports in 1995 increased. However, there was no profit, "because exchange controls caused the cost structure to eat up any possibility of profitability."

[HOY] What is your view of this past year for the export sector?

[Pons] During 1995 there was an increase in absolute terms in the value of Ecuadorian exports, particularly of bananas, shrimp, and nontraditional products. However, the profitability of these exports was seriously affected by the decline in the foreign exchange rate, in high production costs, as well as in defective aspects of the economy. The volume of exports in terms of dollars and pounds was greater. However, there were lesser profits for Ecuadorian farmers and workers.

[HOY] Was this due to the lack of a foreign trade policy?

[Pons] Ecuadorian trade requires the kind of foreign trade policy which, unfortunately, it does not now have.

Changes in the export figures do not reflect planning but rather market forces and the different variables which have an impact on the market. As a matter of fact, the present management of foreign trade has not produced coherent and planned results, either for the state or for Ecuadorian producers.

[HOY] In what direction should foreign trade policy be oriented?

[Pons] Foreign trade policy should be directed first at identifying markets to optimize the sale of Ecuadorian products and promote the development of new exports. Second, it should be directed at professionalizing international negotiations. These two things should be done to strengthen the productive system so that it can supply the market in a competitive way.

[HOY] What role should the fight against smuggling play in such a foreign trade policy?

[Pons] The structural defects of the economy have affected all sectors. High interest costs, cuts in the supply of electricity, and political instability have all had an impact on productivity. If one adds to this situation illegal activity, and specifically smuggling, we may conclude that it is impossible to compete in the domestic and external market because Ecuador should not export its shortcomings.

[HOY] Then we are not competitive?

[Pons] We cannot export what we produce because there is no domestic production plan to make competitiveness possible. This, in short, is the result of productivity.

[HOY] Is there a lack of incentives for the productive sector?

[Pons] The system has not been so arranged as to stimulate the productive system, the pillar of the economy. Rather, it has been arranged to support speculation.

There are no loans to stimulate the country's production. Only short term loans are available, and these bear a very high rate of interest.

[HOY] Stimulation of the productive sector might involve the use of a line of credit similar to those provided to the financial sector. Would this be a partial solution?

[Pons] The road to hell is paved with good intentions, and this government is full of them. However, it has not succeeded in turning these good intentions into actions to contribute to the improvement of the productive system and the generation of jobs.

The National Federation of Banana Producers, FENABE, anticipates that banana production in 1995 will

total 4.0 million metric tons. Would this not involve merely continuing to contribute to the world surplus of bananas?

There is a surplus of bananas. Therefore, we should rationalize banana exports. During 1996 the markets will simultaneously be somewhat short of the fruit, and there will be surpluses of bananas. The combination of these two factors is going to generate great pressure on prices. Banana production is a great generator of jobs. There are 12 jobs for each hectare of banana plants. That is, 260,000 families benefit from this activity.

[HOY] What action should be taken to improve productivity?

[Pons] To be competitive, it is necessary to have an adequate national policy under which priority is given to political stability provided by the leadership of those who control the government. If this is done, the prospects will be positive, and there will be confidence in the country. However, as long as we continue in this atmosphere of uncertainty, we will not be able to be productive and, therefore, competitive.

There will be great difficulty during this electoral year of 1996, due to political instability. Hence it is vital that the principal candidates provide stability and timely solutions for the problems which come up.

Ecuador: New Bank Mergers Announced

96SM0064B Quito HOY in Spanish 19 Jan 96

[Received via Internet]

[FBIS Translated Text] Guayaquil—The amalgamation of Albobanca and Banco Inca [the Inca Bank], two financial concerns, has led to the establishment of the Banco del Sol [Bank of the Sun]. The establishment of the new bank is a means of strengthening the financial system, in accordance with resolutions adopted by the Banking Commission, which set limits on the proliferation of credit institutions in Ecuador.

Carlos Julio Emanuel, the former director of the Banco Central del Ecuador [Central Bank of Ecuador], will be the director of the new bank. He anticipated that he will meet with his associates in the new institution during the next few days.

Rodolfo Baquerizo Alvarado, the executive president of Albobanco, stated that the amalgamation of the two financial institutions will be complete, once the appropriate procedures are taken care of in the Office of the Superintendent of Banks. He estimated that this process would be concluded next week.

The fresh capital resources paid into the new bank amount to the equivalent of \$12 million. With the

addition of other resources total capital will be about 70 billion sucres.

It is reported that the capital of Banco Inca amounts to about 55 billion sucres, while that of Albobanco is 22 billion sucres.

Once the Office of the Superintendent of Banks completes the necessary procedures and arranges for the technological disposition of both of the amalgamated institutions, the Banco del Sol, as such, will begin operations.

Ecuador: Launch of Election Campaign Summarized

96SM0061B Guayaquil EL UNIVERSO in Spanish
22 Jan 96 p 6

[Commentary by Roberto Aspiazu: "On the Road to Carondelet"; received via Internet]

[FBIS Translated Text] In horse racing terminology, the candidates are at the starting gate. Almost all of them, at least the principals, have completed their pro forma presidential preparations.

The center-left in particular is on tenterhooks. Doctor Borja could decide at the last moment to take a hand in the proceedings. The dissidents of the ID APRE [Democratic Left-Ecuadoran Revolutionary Popular Action] are happily dreaming about that possibility, while Paz and Vargas contemplate such interference with concern.

Nevertheless, it is unlikely that the ex-chief of state will decide to take part. A survey by the Institute of Economic Studies of Central University observes that two out of three citizens of the capital city would disapprove of his candidacy. If this is the case in his traditional electoral bastion, it could not be any better for him in the rest of the country. Even so, I believe that the rumor has his approval as a kind of trial balloon.

The Social Christians are congratulating each other. The prospect of a center-left more divided than it is now facilitates Nebot's aspirations. Of course, distrustful, they have their own interpretation of the game. For them, the fox Vallejo and his ultraborjist followers have plotted the move in order to undermine the Espurja Vargas-Gallardo coalition, just when the pair's candidacy is ready to be launched. This is supposedly for the purpose of giving semi-official support to Paz as the candidate for the unification of the movement.

A more independent interpretation has it that the self-styled Moral Reserve group of the ID is aiming in the direction of polarizing the election between Nebot and Borja. This risks disaster, but on the other hand

it would consolidate the dispersed Social Democratic family, bringing back to the orange party in the worst case its role as principal opposition force, on track to return to power in the year 2000.

Meanwhile, Noboa's candidacy has suffered a setback. The formation of his ticket by reaching agreement with Liberals and Alfariests cost him the desertion of his national campaign chief and his candidate to the National Congress, the right and left arms of his independent movement, that has become compromised with the old partitocracy that for months he swore to fight against.

Even so, his justification of having been forced into such an alliance because of Social Christian-Roldosist delay in the passage of the law on independents could be valid. On the other hand, it seems to us an implicit recognition by Noboa of the limitations of an independent movement, which sooner or later will have to evolve into a more organic form as a political party. From that point of view, uniting forces that represent the same liberal-centrist tendency seems to us a worthwhile objective over the medium and long terms.

Furthermore, the value and experience of men like Alarcon and Huerta should not be underestimated, even when they are supported by certain dinosaurs from the Jurassic Park of Ecuadorian politics.

Peru

Peruvian Columnist Praises U.S. 'Drug Czar' Choice

PY0102204896 Lima EXPRESO in Spanish
26 Jan 96 p A31

[Commentary by Patricio Ricketts Rey de Castro]

[FBIS Translated Text] The new U.S. drug czar fortunately is a combat machine: built a winner; rugged and as devastating as in action films; and his experience resembles an unleashing hurricane. He began as commander of an airborne squad; he was then made commander of an airborne assault company; he later was put at the head of a mechanized battalion, a motorized brigade, and finally an armored division. Only then was he able to prove his worth; as the famous left arm of the pincers that in a split second crushed Saddam Husayn's Army during the Gulf War.

For this he was decorated. On his chest hang Distinguished Service Crosses, Silver Stars, Bronze Stars, and three Purple Hearts for combat injuries he received during the Vietnam war. Yet these decorations did not discourage him from deploring [President George] Bush's decision to end the unfinished war, precisely when he and the remaining generals were in full control and al-

ready had a grip on the enemy, after only 100 hours of combat.

Army General Barry McCaffrey, to whom we refer, has now changed offices. He left the U.S. Southern Command, headquartered in Panama, to take up the drug enforcement reins from the White House.

Visiting the White House during the early days of the Clinton administration, he was met at the entrance by one of the newly appointed liberal, leftist government assistants. If we are to believe WASHINGTON POST columnist Al Kamen, the roles were reversed. The stern general, who "does not stand for any nonsense," cordially said: "Good morning" while the young woman replied: "I do not talk to military men."

The important thing is that Clinton does talk to them, and even goes jogging with them early in the morning. After working out with McCaffrey, Clinton ended up entrusting him with a mission that, being in the hands of Colin Powell's former subordinate, may still generate a lot of discussion: This, the fourth drug czar, is a great symbol. He promises action.

The first point — and undoubtedly not the only one — in his favor is that McCaffrey is well acquainted with the problem. He did a lot to cooperate with Latin America in this struggle from his post as commander of the U.S. Southern Command. He maintained close and friendly contacts with our armies and their respective commanders based on professional respect. He visited Peru several times, has personally witnessed the great efforts made in the jungle areas, and understands perfectly that the Armed Forces are the backbone institutions of our nation. This is another point in his favor.

His relationship with General Hermosa is excellent. This represents new support. More still after U.S. adventurers and demagogues tried to tighten the grip for allegedly democratic purposes, but McCaffrey advocated common sense and upheld his country's true interest which, from his strategic perception, obviously entails helping our countries: in drug enforcement and in any other field.

As for the struggle against drugs, the general rightly points out the existence of "international Marxist movements that have now become international criminal bands and narco-guerrilla groups." He says he does not believe the 10,000 fighting in Colombia are a "psychological phenomenon," as some ignorant people in the United States and here maintain.

What, in sum, should be done? McCaffrey — whom we must thank for the return of the radar installations to the jungle — believes a new cooperation system must materialize above all. Not long ago he said: "We need

an international coalition. We lack true cooperation." He added that, in this sense, the United States is losing important historical opportunities within the continent. As is obvious, these are new points that favor this vigorous and bright soldier, who is probably the best of all the drug czars.

Peru: 'Massive' Demonstration Against Government

PY0202003096 Lima LA REPUBLICA in Spanish
26 Jan 96 pp 2, 3

[FBIS Translated Excerpt] Thousands of workers from the Lima poor districts, women responsible for distributing milk to school children, members of the Mothers Club and low cost eateries, and pensioners demonstrated in downtown Lima yesterday under the leadership of the General Confederation of Peruvian Workers, CGTP, to demand that the government rectify its harsh neoliberal economic policy to make it more humane.

Teachers and students of several universities, and administrative employees also participated in the demonstration.

The massive march called by the CGTP, showing the discontent of the poor sectors, which are more seriously affected by the crisis, was much bigger than expected. It was the largest mobilization of the last few years.

Observers compared the march to the last demonstration organized by CGTP Secretary General Pedro Huilca Tecse before he was murdered by a terrorist group. The "large mass of people" began to march at 0330 from the Dos de Mayo Plaza and covered the entire La Colmena Avenue up to Lampa Street. [passage omitted]

The labor leaders attending the march presented 15 demands to the government. Among other demands, they want an end to dismissals; an end to the privatizations, which are jeopardizing national interests and sovereignty; and the rectification of the labor policy, which is keeping workers' salaries extremely low.

The note addressed to President Alberto Fujimori includes the following demands:

1. More jobs and higher salaries.
2. The return of dismissed workers and the end of threats of dismissals in the public and private sectors.
3. The immediate readjustment of pension and social security benefits with the main contribution of employers, the immediate collection of payment from organizations that owe the Peruvian Institute of Social Security, IPSS, and the Fisherman's Benefits and Social Security Fund.

4. The enforcement of free education and public health, and the elimination of all regulations advocating their privatization.

5. The enforcement of the national labor demands and the rights obtained by the workers. The elimination of Decree Law 728 and of all anti-labor regulations.

6. The defense of national sovereignty and assets. No more privatization of strategic companies such as Petroperu [State Petroleum Agency], Pescaperu [State Fishmeal and Fish Oil Production Agency], and Siderperu [Peruvian Iron and Steel Company], and defense of the 200-mile sea zone.

7. The prevention of the auction of peasant land and the return of local bosses.

9. [numbering as published] Provide titles to the properties in poor districts and settlements where people live.

10. The establishment of selective tariffs on foreign products brought into the country.

11. The control over tariffs and the quality of water, electricity, and telephone services, and the selective elimination of the IGV [general income tax] in the utility bills.

12. Real respect for municipal autonomy and immunity.

13. The immediate implementation of the large regional and national projects.

14. The abolition of child labor. The approval of Convention 138 of the International Labor Organization and its promulgation as law in Peru.

15. The prohibition of intervention in universities, and respect for their autonomy. The appointment of the ombudsman and the head of the Court of Constitutional Guarantees, and the freedom of people who were unjustly arrested.

The CGTP National Council reminded President Fujimori that modernization does not mean massive dismissals, unemployment, freezing of salaries, low pensions, and more hunger.

The CGTP also says that the pensions given to those who were dismissed and retired are below the cost of the minimum food requirements.

The note says: "Under the economic policy being implemented by the government, it was not possible to substantially improve the salaries of active workers, employees, under-employed individuals, people receiving pensions, and street vendors." [passage omitted]

CGTP Secretary General Juan Jose Gorriti said, upon leaving Congress, that Congress Vice President Joy Way

made clear that there will be a trend for change and that an environment of dialogue with the workers will be created.

Gorriti also warned that the rank-and-file are preparing a national strike. [passage omitted]

Opposition political leaders warned the government yesterday that the massive march organized by the CGTP is a clear demonstration of the Peruvian people's ability to resist such extreme sacrifices like growing unemployment, extremely low salaries, and other drastic economic measures.

The opposition, like the union leaders, asked the government to change its economic policy in order to meet the most urgent needs of the Peruvian people and to start a process of dialogue. [passage omitted]

Uruguay

PRC's Zhu Rongji Arrives in Uruguay

PY0102232496 Buenos Aires TELAM in Spanish
2137 GMT 1 Feb 96

[FBIS Translated Excerpt] Montevideo, 1 Feb (TELAM-SEM) — PRC Vice Premier Zhu Rongji arrived in Uruguay today. He will meet with officials from the government of President Julio Maria Sanguinetti. Zhu Rongji is seeking Uruguay's support for PRC entry into the WTO.

It was officially reported in Montevideo today that Zhu Rongji's visit to Uruguay is also aimed at promoting trade and cooperation with this South American nation. Zhu Rongji's austerity and macroeconomic control measures, which were implemented in mid-1993, permitted China to achieve quick and stable progress. [passage omitted]

Uruguayan Army Subordination to President Confirmed

PY0102222596 Montevideo EL OBSERVADOR
in Spanish 22 Jan 96 p 3

[Article by Antonio Ladra]

[FBIS Translated Excerpt] A document drafted by Army Commander in Chief Juan Curuchet, which was signed all the generals in the force, expresses support for General Raul Mermot, who is the new commander in chief, and condemns the use of anonymous communiques to apply pressure seeking sectorial demands. [passage omitted]

The document also criticizes anonymous communiques that seek sectorial credit and condemns all pressure that is not channeled through normal channels.

A military source told EL OBSERVADOR: "Through this document, which was handed to the general, the commander seeks to preserve the verticality of the force and reaffirm institutionalism, thus confirming that the leadership is subordinate to the president." [passage omitted]

Venezuela

Venezuelan Police Probe Links Disturbances, Parties

PA0102165796 Caracas Venezolana de Television
Network in Spanish 0200 GMT 1 Feb 96

[Report by Pedro Prado]

[FBIS Translated Text] The National Government guarantees that it has been able to identify the origins of the protest marches that have been taking place during the past days, despite the repetitive feature of the disturbances.

According to the government, the marches, allegedly intended to protest the recent transportation fare increase, have been taking place within normal parameters most of all because there have been no violent incidents or attacks against individuals or private property.

The security forces have currently launched an investigation to determine if there is any link between the disturbances and political parties, and so far it is still too premature to talk about placing the city under military control.

[Begin recording] [Defense Minister Moises Orozco Graterol] The Armed Forces' operations must abide by the rules and regulations. The first to react when disturbances break out is the police force. If this is insufficient, then it is up to the National Guard. If they are unable to control the situation, then it is up to the Armed Forces to implement what we have called the Avila Plan here in Caracas and the Soberania Plan in the rest of the country. [end recording]

According to the minister of education, the disturbances represent an attack against the public education system by common criminals who have a poor understanding of what society's rights are all about.

[Begin recording] [Education Minister Antonio Luis Cardenas] Instead of Robin Hood, what we have here are hoods playing Robin. In other words, funding everything to the rich and not allowing the poor an opportunity to obtain an education. I am not saying that we should become Robin Hood again and steal from the rich. No, but at least to have the rich pay and all those resources used to underwrite expenditures of the poor. [end recording]

The education minister is totally opposed to suspending the school term, even if the protest marches were to continue.

Venezuelan Interior Minister Denies Militarization

*PA0202035596 Caracas Venezolana de Television
Network in Spanish 0200 GMT 2 Feb 96*

[FBIS Translated Text] The National Government has absolute control over the country, despite the disorders in the past few days. Pedro Prado explains why we cannot talk about militarization, even though there are national guards at several institutions. Here is his report:

[Begin recording] [Prado] Venezuelan Interior Minister Ramon Escovar Salom has asserted that the recent disorders in the country are not as serious as some people want to make them appear. He said state security procedures are being implemented, arrests have already been made, and they are also investigating possible ties between leftist political groups and the demonstrations.

Escovar Salom went on to say that the term militarization is not appropriate:

[Escovar Salom] People continuously talk about militarization. There is no militarization here. What happens is that our laws and the urban security programs stipulate that the National Guard has to intervene when riots reach a certain degree. It is often said that this or that city has been militarized. No city in the country is militarized.

Simply, the National Guard intervenes whenever it is necessary and the police are not enough. That's all.

[Prado] According to the interior minister, the politicians who could have incited the riots in the past days are totally unrelated to the political organizations represented in the Congress of the Republic. [end recording]

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